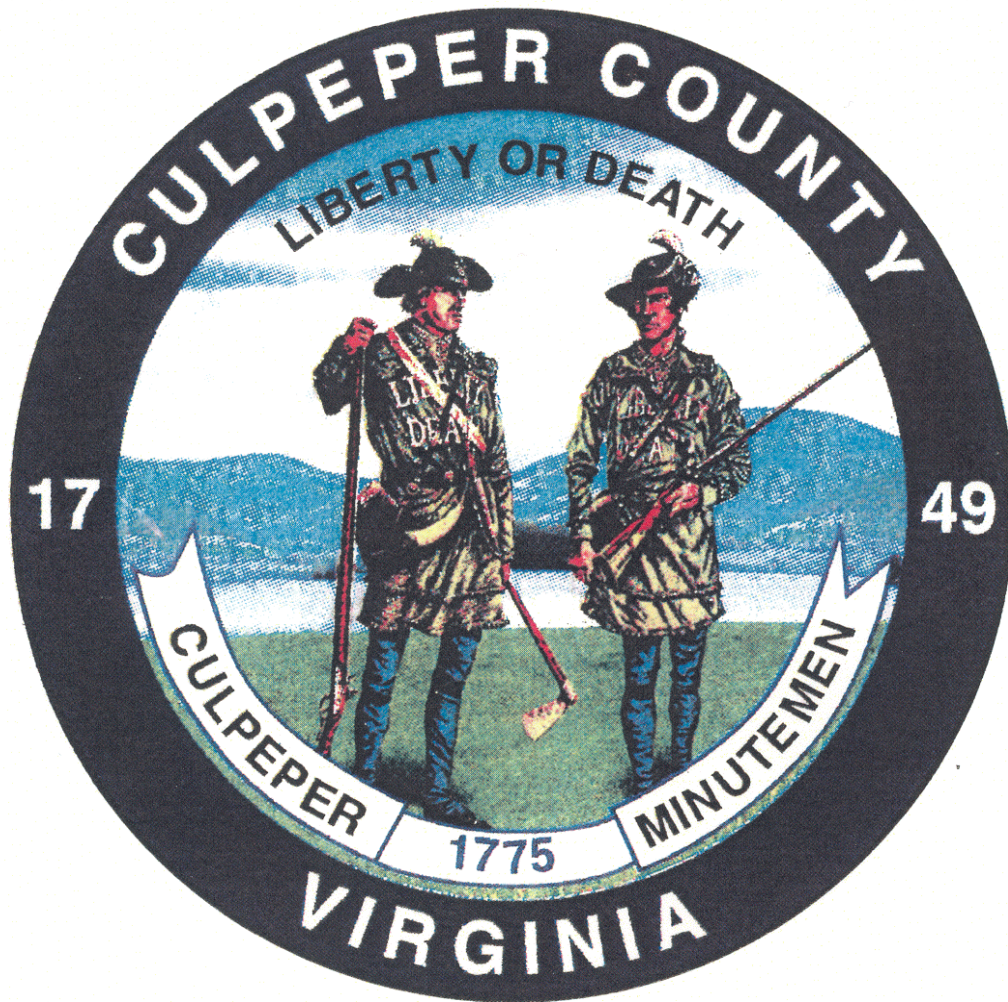


# **COUNTY OF CULPEPER, VIRGINIA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



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Year Ended June 30, 2002



**County of Culpeper, Virginia**

**Comprehensive Annual  
Financial Report**

**Year Ended June 30, 2002**

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**PREPARED BY:**

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Valerie H. Lamb, Finance Director



**COUNTY OF CULPEPER, VIRGINIA**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2002**

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**COUNTY OF CULPEPER, VIRGINIA**  
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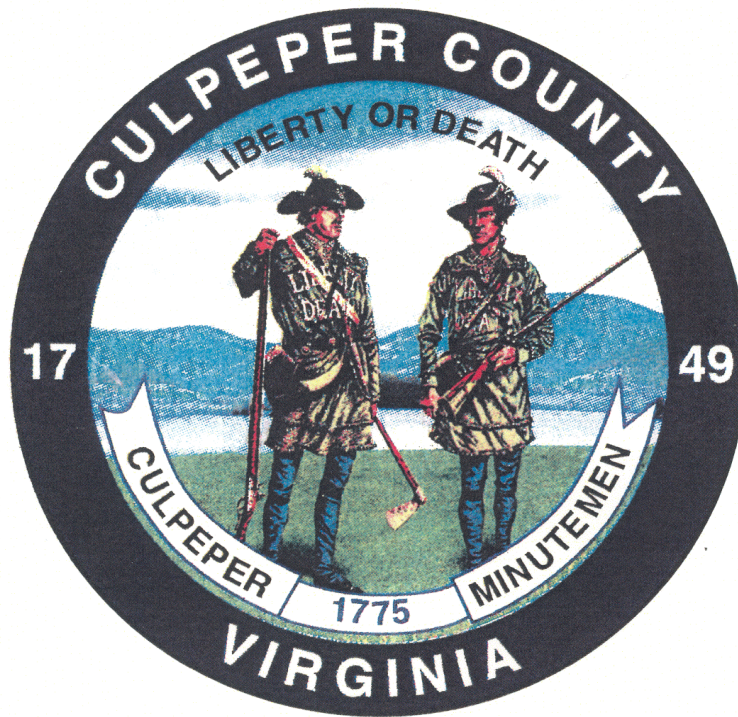
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## INTRODUCTORY SECTION







**COUNTY OF CULPEPER  
OFFICE OF THE COUNTY ADMINISTRATOR**

302 N. Main Street, Culpeper, Virginia 22701  
Telephone: (540) 727-3427 - Fax: (540) 727-3460  
E-mail: fbossio@co.culpeper.va.us

December 6, 2002

To the Honorable Members of the Board of Supervisors  
To the Citizens of Culpeper County  
County of Culpeper, Virginia

We are pleased to present the Comprehensive Annual Financial Report of the County of Culpeper, Virginia, (the "County"), for the fiscal year ended June 30, 2002. This report was prepared by the County's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of County assets. In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

**Budgetary Controls.** In addition to the internal accounting controls noted above, the County also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Board of Supervisors. Activities of the general fund and capital projects fund are included in the annual appropriated budget.

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for the fiscal year ended June 30, 2002 has been completed and no material internal control weaknesses or material violations of laws and regulations have been found.

The County adopts an annual budget by July 1 of each year as required by 15.2-2503, Code of Virginia of 1950, as amended. A budget is not required for fiduciary funds.

When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with 15.2-2507, Code of Virginia of 1950, as amended. Budgetary compliance is monitored and reported at the department level. The budget is implemented through appropriations that the Board makes annually, with supplemental appropriations made as required. These appropriations, except those to incur mandated expenditures, may be greater or less than contemplated in the budget.

## THE REPORTING ENTITY AND ITS SERVICES

The County of Culpeper report includes all funds and account groups of the "primary government." In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. These services include public safety, social services, recreation and cultural activities and community development. Additionally, the County operates an airport, water and wastewater utility system and a landfill. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, "The Financial Reporting Entity," the County has identified one discrete component unit. The GASB statement establishes the criteria used in making this determination and identifies each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations, and therefore are included as part of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of this primary government. Therefore, the County School Board is reported in a discrete presentation. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to the public whose board is elected and is fiscally dependent on the local government.

The financial statements for the Piedmont Regional Control Board, Rappahannock-Rapidan Regional Commission, and the Rappahannock-Rapidan Community Services Board are not included in the County report. Boards separate from, and independent of, the Board of Supervisors administer these organizations.

Culpeper County is located in north central Virginia, 75 miles southwest of Washington, D.C. and 75 miles northwest of Richmond, Virginia. The county encompasses a land area of 381 square miles. Three U.S. primary and one State primary route traverse the County. Culpeper has a diversified economy with strong manufacturing, trade services, and agricultural sectors. Manufacturing activity includes: auto parts, furniture, kitchen cabinets, wire cable, fiber optics and iron castings.

Major service industries include: international financial telecommunications, uniform rentals, health care, education, and government. International firms have a significant presence in the community. Agriculture remains important in Culpeper's economy, with beef cattle the principal livestock and soy beans, hay and corn the major cash crops.

## MAJOR INITIATIVES

For fiscal year 2002: Following the goals and objectives established by the County of Culpeper Board of Supervisors, and with the assistance and guidance of the County's Administrator, County staff and agencies implemented and continued a number of specific "**programs**" designed to provide County residents with cost efficient government while enhancing their home and employment environment.

Major initiatives begun, continued, or completed during this fiscal year are:

- Geographic Information System (GIS) in place for county residents to use.
- Land purchased for the construction of strategically located, limited height telecommunications towers throughout the County.
- County airport Improvements.
- Public safety communications.

## **MAJOR INITIATIVES (Continued)**

### **Geographic Information System (GIS)**

The County's Department of Planning and Zoning continued implementation of the County's GIS system. Residents are able to interrogate the system for all property related information such as current tax assessment values, current zoning, flood plain information, soils, building locations, topography, etc. The system is available though the Internet, or can be used free of charge at the County's offices. The system is continually upgraded and expanded. Numerous improvements were made in fiscal year 2002 and will continue in fiscal year 2003.

### **Telecommunications Towers**

During fiscal year 2000 the Board of Supervisors approved an amendment to the County's Comprehensive Plan, adopting the findings and recommendations of staff. The amendment permits the construction of a limited number of towers and limits the height of telecommunications towers throughout the County. Continuing with this project, in fiscal year 2001 the County purchased land for four (4) tower sites, and then in fiscal year 2002 the request for proposal for construction was issued, and construction was substantially complete.

### **Airport Improvements**

During fiscal year 2002 the County of Culpeper Board of Supervisors continued major enhancements to the Culpeper Regional Airport. Ultimately the project will include an extension of the runway and taxiway to 5,000 feet. A taxiway extension, a new corporate hangar, and 15 new T-hangars were completed in fiscal year 2002. The construction is required due to a significant increase in air traffic utilizing this centrally located airport. Construction of the overall plan is well under way. Fiscal year 2001 included obstruction removal and taxiway construction, which was carried into fiscal year 2002. Runway extension design was completed in fiscal year 2002, as was apron construction. Runway extension construction is currently projected for fiscal year 2003.

### **Public Safety Communications**

Planning for a major upgrade to the County's Public Safety Radio System was completed in fiscal year 2000. The new system will link all operations of County government and law enforcement, fire, rescue, and EMS Services, with the County's E911 public safety communications center. The project was expected to take 2 years to complete and will be "state of the art" in communications technology. With the towers construction substantially complete, the purchase of the Radio System will begin concurrently with the acquisition of a new Emergency Operations Center. It is expected construction of the new EOC will begin in the spring of 2003, with installation of the radio system to be completed during fiscal year 2004.

**Prospects for the Future.** For the 2002-2003 fiscal year the Board of Supervisors has approved a General Fund Operating Budget of \$40,055,052. The plan increases the real estate tax rate of \$0.88 per \$100 of assessed value to \$0.92, an increase of 4 cents.

**Risk Management.** The County of Culpeper has a risk management program which is committed to the logical, systematic and continuous identification of loss exposures for and to the County, its employees, its citizens and taxpayers, through the evaluation of risk in terms of severity and frequency probability and the application of sound loss control procedures. As a part of this commitment, the county has obtained third party coverage for all liability risk.

**Cash Management.** Cash temporarily idle during the year was invested in time deposits and various authorized money market instruments. The amount of interest received was \$532,548. This is a decrease from interest earned on temporary investments in fiscal year 2000-01 when the interest on investments totaled \$1,199,168.

## OTHER INFORMATION

**Management's Discussion and Analysis.** Generally accepted accounting principles require management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County of Culpeper's MD&A can be found immediately following the report of the independent auditors.

**Independent Audit.** The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to this single audit, including the findings and recommendations, and auditors' reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements have been complied with and the auditor's opinion is included in this report.

**Certificate of Achievement.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Excellence in Financial Reporting to County of Culpeper, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2001. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

**Acknowledgments.** The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the entire Department of Finance. We would also like to thank the Board of Supervisors for their interest and support in planning and conducting the financial operation of the County in a responsible and progressive manner.

Respectfully submitted,

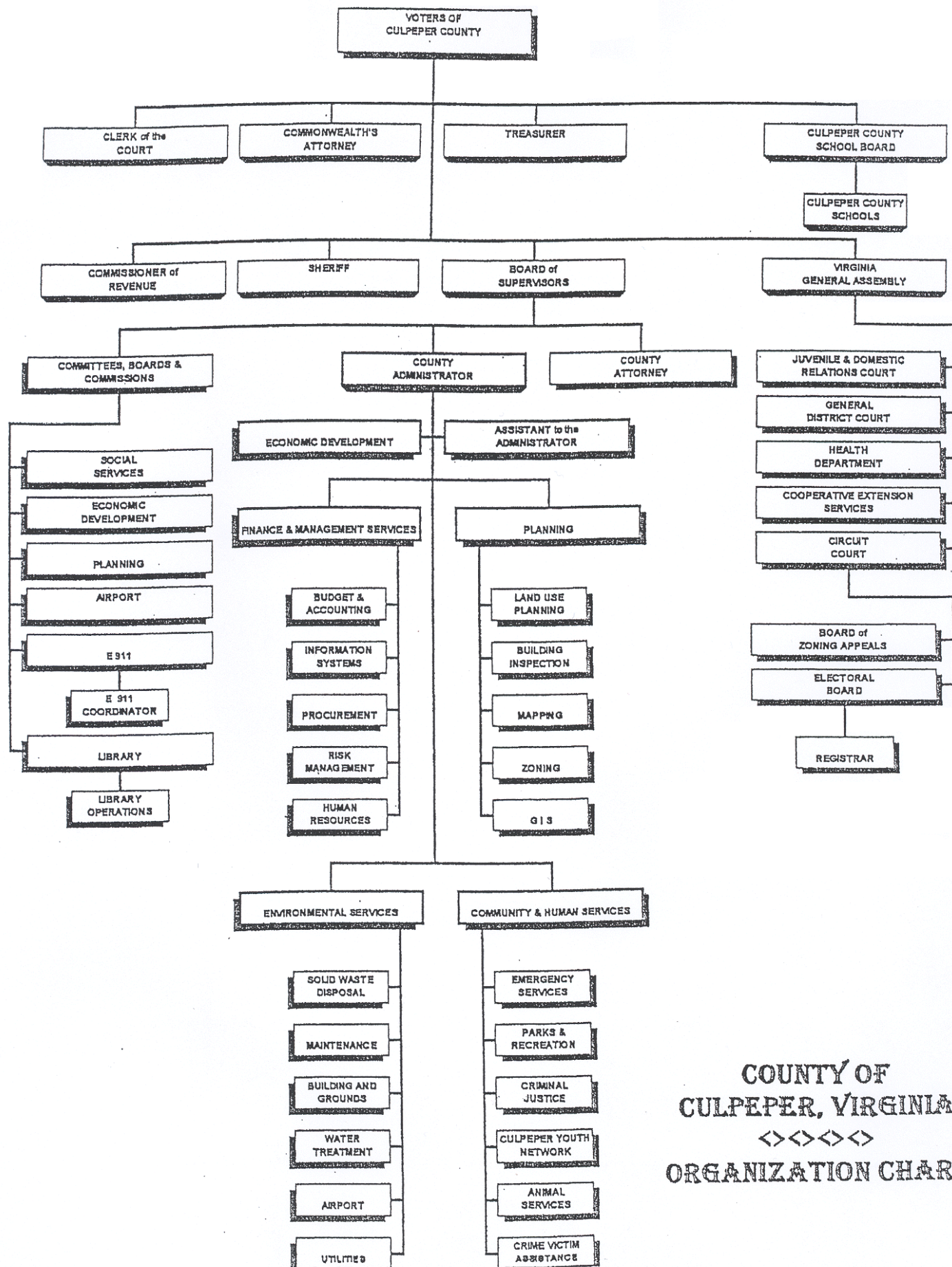


Frank T. Bossio  
County Administrator



Valerie Lamb  
Director of Finance





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**COUNTY OF CULPEPER, VIRGINIA**

**Directory of Officials**

**June 30, 2002**

**PRIMARY GOVERNMENT OFFICIALS**

**BOARD OF SUPERVISORS**

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John F. Coates, Chairman	Salem District
Steven L. Walker, Vice-Chairman	East Fairfax District
James C. Lee	Cedar Mountain District
Bradley C. Rosenberger	Jefferson District
Sue D. Hansohn	Catalpa District
Carolyn S. Smith	West Fairfax District
William C. Chase	Stevensburg District

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**CONSTITUTIONAL OFFICERS**

Terry Yowell	Commissioner of Revenue
W. Stephen Southard	Treasurer
Gary Close	Commonwealth's Attorney
H. Lee Hart	Sheriff
Patricia Payne	Circuit Court Clerk

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**ADMINISTRATIVE OFFICERS**

Frank T. Bossio	County Administrator
John D. Maddox	County Attorney
Valerie H. Lamb	Director of Finance
Calvin Coleman	Director of Social Services

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**SCHOOL BOARD COMPONENT UNIT OFFICIALS**

**School Board**

William O. Simms, Chairman	Salem District
Claudia L. Vento, Vice-Chairman	West Fairfax District
Robert L. Jenkins, III	Catalpa District
William L. Saunders	East Fairfax District
Leanne Coladonato	Jefferson District
Elizabeth Hutchens	Cedar Mountain District
Barton Hitchcock	Stevensburg District

**Administrative Officers**

Dr. David A. Cox	Superintendent
Colen Owens	Deputy Superintendent
Don Mener	Director of Personnel

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Culpeper,  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

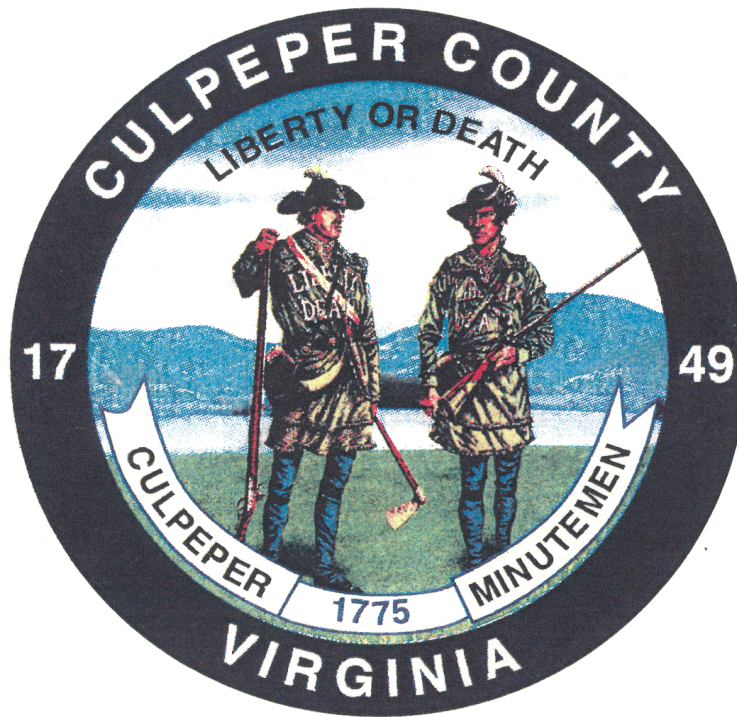


*William Patrick Pate*  
President

*Jeffrey L. Esser*  
Executive Director

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## FINANCIAL SECTION





# ROBINSON, FARMER, COX ASSOCIATES

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Certified Public Accountants

A Professional limited liability company

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## Independent Auditors' Report

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**The Honorable Members of  
The Board of Supervisors  
County of Culpeper, Virginia**

We have audited the accompanying basic financial statements of the County of Culpeper, Virginia, as of and for the year ended, June 30, 2002, as listed in the Table of Contents. These financial statements are the responsibility of the County of Culpeper's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the County of Culpeper, Virginia, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary funds and changes in its fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2002 on our consideration of the County of Culpeper's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1 to the basic financial statements, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,"* as of July 1, 2001. This results in a change to the County's method of accounting and a change in the format and content of the basic financial statements.

Management's Discussion and Analysis as listed in the Budgetary Comparison Schedules in the accompanying table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the County of Culpeper, Virginia, taken as a whole. The accompanying financial information listed as Other Supplementary Information in the table of contents and the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The statistical tables listed in the Table of Contents are not a required part of the basic financial statements, and we did not audit or apply limited procedures to such information. Accordingly, we do not express any assurances on such information.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
September 27, 2002



December 12, 2002

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**To the Honorable Members of the Board of Supervisors  
To the Citizens of Culpeper County  
County of Culpeper, Virginia**

As management of the County of Culpeper, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### **Financial Highlights**

#### **Government-wide Financial Statements**

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$33,466,406 (net assets). Of this amount \$13,250,753 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year; the County's governmental funds reported combined ending fund balances of \$21,745,068, an increase of \$1,735,943 in comparison with the prior year. Approximately seventy five percent of this amount, \$16,641,192, of this amount is available for spending at the Culpeper's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$16,641,192, or 41 percent of total general fund expenditures.
- The County of Culpeper, Virginia's total debt decreased by \$3,627,314 or nine (9%) during the current fiscal year.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the Government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, police and volunteer fire protection, sanitation, social services, education, cultural events, and recreation. The business-type activities of the County include Water and Sewer, Landfill, and Airport operations.

The Government-wide financial statements include not only the County of Culpeper, Virginia itself (known as the primary government), but also a legally separate school district for which the County of Culpeper, Virginia is financially accountable. Financial information for these component units is reported separately from the financial information present for the primary government itself.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Culpeper, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as Governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statement focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects fund, both of which are considered to be major funds.

The County adopts an annual appropriated budget for its Governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds - The County maintains three enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer, landfill, and airport operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, landfill, and airport activities all of which are considered to be major funds of the County.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component unit School Board. The School Board does not issue separate financial statements.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. Culpeper County assets exceeded liabilities by \$33,466,406 at year end.

The largest portion of the County's net assets (45 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

<b>County of Culpeper, Virginia's Net Assets</b>			
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Current assets	\$ 24,915,093	\$ 1,822,821	\$ 26,737,914
Capital and other assets	<u>37,726,156</u>	<u>10,316,872</u>	<u>48,043,028</u>
Total assets	<u>\$ 62,641,249</u>	<u>\$ 12,139,693</u>	<u>\$ 74,780,942</u>
Long-term liabilities	\$ 32,814,755	\$ 3,059,762	\$ 35,874,517
Other liabilities	<u>5,275,556</u>	<u>164,463</u>	<u>5,440,019</u>
Total liabilities	<u>\$ 38,090,311</u>	<u>\$ 3,224,225</u>	<u>\$ 41,314,536</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 7,329,859	\$ 7,781,918	\$ 15,111,777
Restricted-construction & other purposes	5,103,876	-	5,103,876
Unrestricted	<u>12,117,203</u>	<u>1,133,550</u>	<u>13,250,753</u>
Total net assets	<u><u>\$ 24,550,938</u></u>	<u><u>\$ 8,915,468</u></u>	<u><u>\$ 33,466,406</u></u>

## **Government-wide Financial Analysis (continued)**

At the end of the current fiscal year, the County's investment in capital assets net of related debt used to acquire those assets that is still outstanding represents 21% of total net assets. The County uses these capital assets to provide services to citizens, therefore, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent resources that are subject to external restrictions on how they may be used. The majority of these nets assets are to be used for capital projects and other specific purposes.

Governmental Activities - Governmental activities increased the County's net assets by \$19,039,333. Key elements of this increase are as follows:

<b>County of Culpeper, Virginia's Changes in Net Assets For the Year Ended June 30, 2002</b>			
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,566,016	\$ 1,766,080	\$ 3,332,096
Operating grants & contributions	9,089,540	-	9,089,540
Capital grants & contributions	2,630,620	1,933,446	4,564,066
General revenues:			
General property taxes	22,684,654	-	22,684,654
Other local taxes	6,261,152	-	6,261,152
Use of money and property	551,748	101,266	653,014
Miscellaneous and transfers in	514,260	731,622	1,245,882
Grants and contributions not restricted to specific programs	<u>2,803,975</u>	<u>-</u>	<u>2,803,975</u>
Total revenues	<u>\$ 46,101,965</u>	<u>\$ 4,532,414</u>	<u>\$ 50,634,379</u>
Expenses:			
General government	\$ 2,021,301	\$ -	\$ 2,021,301
Judicial administration	1,589,341	-	1,589,341
Public safety	6,248,448	-	6,248,448
Public works	415,475	-	415,475
Health and welfare	7,196,456	-	7,196,456
Education	5,594,190	-	5,594,190
Parks, recreation and cultural	1,048,520	-	1,048,520
Community development	818,280	-	818,280
Capital outlays	300,424	-	300,424
Nondepartmental and transfers out	802,447	-	802,447
Interest in long-term debt	1,027,750	-	1,027,750
Water and sewer	-	2,603,764	2,603,764
Total expenses	<u>\$ 27,062,632</u>	<u>\$ 2,603,764</u>	<u>\$ 29,666,396</u>
Increase in net assets	\$ 19,039,333	\$ 1,928,650	\$ 20,967,983
Net assets, July 1, 2001	<u>5,511,605</u>	<u>6,986,818</u>	<u>12,498,423</u>
Net assets, June 30, 2002	<u>\$ 24,550,938</u>	<u>\$ 8,915,468</u>	<u>\$ 33,466,406</u>

## **Government-wide Financial Analysis**

- Property taxes increased by \$1,564,034 during the year. Most of this increase is the product of general growth in assessments as well as an increase in the real estate tax rate of \$.06. In addition Personal Property Tax Relief Act revenue increased \$1,022,149 due to the Commonwealth of Virginia increased reimbursement from 47.5 percent to 70 percent in the current fiscal year .
- Operating grants for governmental activities decreased \$144,766 during the year.

For the most part, increases in expenditures closely paralleled inflation and growth in the demand for services.

## **Financial Analysis of the County's Funds**

As noted earlier, the County used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$21,745,068, an increase of \$1,735,943 in comparison with the prior year. Approximately seventy-seven percent of this total amount constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is dedicated for construction projects and subsequent expenditures to indicate that is not available for new spending because it has already been committed.

### **Proprietary funds**

The County's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail.

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were \$2,792,163 and can be briefly summarized as follows:

- \$2,266,541 in health and welfare
- \$354,069 in public safety
- \$242,690 in public works

Of this increase, \$1,870,139 was to be funded out from intergovernmental revenues and \$252,406 from charges for services. The remaining \$669,618 was budgeted from other revenues, transfers in and available fund balance. During the year, however, revenues exceeded budgetary estimates by \$112,088. Expenditures were less than budgetary estimates by \$3,912,851, thus eliminating the need to draw upon existing fund balance.

## **Capital Asset and Debt Administration**

- Capital assets - The County's investment in capital assets for its governmental and enterprise operations as of June 30, 2002 amounts to \$48,043,028 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The County is in the process of completing Binns Elementary School and an addition onto the High School.

## Financial Analysis of the County's Funds (continued)

<b>County of Culpeper, Virginia's Capital Assets (net of depreciation)</b>			
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Land	\$ 2,527,138	\$ 1,216,159	\$ 3,743,297
Buildings and equipment	9,972,852	9,575,544	19,548,396
Jointly owned assets	30,373,229	-	30,373,229
Construction in progress	1,668,843	-	1,668,843
Total	\$ 44,542,062	\$ 10,791,703	\$ 55,333,765
Less accumulated depreciation	6,815,906	474,831	7,290,737
Net capital assets	<u>\$ 37,726,156</u>	<u>\$ 10,316,872</u>	<u>\$ 48,043,028</u>

### Long-term debt

At the end of the fiscal year the County had the following outstanding debt:

<b>County of Culpeper, Virginia's Outstanding Debt For the Year Ended June 30, 2002</b>			
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Revenue bonds payable	\$ -	\$ 2,519,056	\$ 2,519,056
General obligation bonds	34,047,488	-	34,047,488
Landfill closure/postclosure	-	653,531	653,531
Capital leases	23,068	-	23,068
Compensated absences	840,612	25,722	866,334
Total	<u>\$ 34,911,168</u>	<u>\$ 3,198,309</u>	<u>\$ 38,109,477</u>

Legislation enacted fiscal year ended June 30, 2002 requires that debt historically reported by the School Board has been assumed by the Primary Government. The legislation affects the reporting of local school capital assets as well.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$36,566,544. Of this amount \$34,047,488 represents debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). During the year the County issued \$13,025,026 in general obligation bonds to pay off \$15,000,000 in notes payable for various School Board projects.

Additional information on the County of Culpeper, Virginia's long-term debt can be found in the notes of this report.

## **Economic Factors and Next Year's Budgets and Rates**

Based on available economic data, trends for the local economy have continued to show strength. The local unemployment rate was 3.3% at June 30, 2002, which is higher than the 1.6% at June 30, 2001. The local unemployment rate compares favorably to the state and national rate of 4.3% and 6.0% respectively. The County's favorable employment conditions are supported by the continued growth of jobs over the last six years. According to the Virginia Employment Commission, the number of persons employed has increased from 14,934 in 1994 to 16,171 in 1999 to 17,419 in 2002. In summary, local business indicators are continuing to indicate a good local economy.

Real estate tax assessments increased \$80,162,800 and personal property tax assessments increased \$67,796,970 in the calendar year 2002 in comparison to the 2001 calendar year. The Board of Supervisors increased the real estate tax rate from \$.88 to \$.92 in fiscal year 2003. As a result of the increased assessments and the real estate tax rate increase the original tax levy increased \$2,876,054. Personal property tax rates remained the same.

General fund revenue budget increased \$1,397,432 while the expenditure budget increased \$2,134,349. The general fund balance used to balance the budget increased from \$786,400 in FY 2002 to \$1,523,317 in FY 2003.

## **Requests for Information**

This financial report is designed to provide a general overview of the County of Culpeper, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 302 N. Main Street, Culpeper, Virginia 22701.

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## **Basic Financial Statements**

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## **Government-wide Financial Statements**

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Statement of Net Assets  
June 30, 2002

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	School Board
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 22,145,827	\$ 1,698,469	\$ 23,844,296	\$ 5,939,988
Receivables (net of allowance for uncollectibles):				
Property taxes	759,539	-	759,539	-
Accounts receivable	376,880	101,238	478,118	11,766
Inventory	-	23,114	23,114	-
Due from primary government	-	-	-	2,269,007
Due from other governments	1,632,847	-	1,632,847	1,069,240
Total Current Assets	\$ 24,915,093	\$ 1,822,821	\$ 26,737,914	\$ 9,290,001
Noncurrent Assets				
Capital assets:				
Land	\$ 2,527,138	\$ 1,216,159	\$ 3,743,297	\$ 1,266,068
Buildings and equipment, net of depreciation	33,530,175	9,100,713	42,630,888	5,924,084
Construction in progress	1,668,843	-	1,668,843	-
Total Noncurrent Assets	\$ 37,726,156	\$ 10,316,872	\$ 48,043,028	\$ 7,190,152
Total Assets	\$ 62,641,249	\$ 12,139,693	\$ 74,780,942	\$ 16,480,153
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable and other current liabilities	\$ 246,678	\$ 25,916	\$ 272,594	\$ 3,945,088
Due to component unit	2,269,007	-	2,269,007	-
Accrued interest payable	663,458	-	663,458	-
Current portion of long-term obligations	2,096,413	138,547	2,234,960	39,159
Total Current Liabilities	\$ 5,275,556	\$ 164,463	\$ 5,440,019	\$ 3,984,247
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	32,814,755	3,059,762	35,874,517	352,433
Total Liabilities	\$ 38,090,311	\$ 3,224,225	\$ 41,314,536	\$ 4,336,680
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 7,329,859	\$ 7,781,918	\$ 15,111,777	\$ 7,190,152
Restricted for:				
Construction	4,129,387	-	4,129,387	4,833,595
E-911 and other purposes	974,489	-	974,489	-
Unrestricted assets	12,117,203	1,133,550	13,250,753	119,726
Total Net Assets	\$ 24,550,938	\$ 8,915,468	\$ 33,466,406	\$ 12,143,473
Total Liabilities and Net Assets	\$ 62,641,249	\$ 12,139,693	\$ 74,780,942	\$ 16,480,153

The accompanying notes to financial statements are an integral part of this statement.

**COUNTY OF CULPEPER, VIRGINIA**

Statement of Activities  
Year Ended June 30, 2002

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,021,301	\$ -	\$ 316,878	\$ -
Judicial administration	1,589,341	75,230	610,274	-
Public safety	6,248,448	678,283	2,972,100	-
Public works	415,475	15,166	-	-
Health and welfare	7,196,456	659,403	5,046,627	-
Education	5,594,190	-	-	-
Parks, recreation, and cultural	1,048,520	66,474	138,661	-
Community development	818,280	71,460	5,000	-
Capital outlays	300,424	-	-	2,630,620
Nondepartmental	70,825	-	-	-
Interest on long-term debt	1,027,750	-	-	-
Total government activities	\$ 26,331,010	\$ 1,566,016	\$ 9,089,540	\$ 2,630,620
Business-type activities:				
Landfill	\$ 1,845,751	\$ 1,222,639	\$ -	\$ -
Water and sewer	151,347	43,460	-	-
Airport	606,666	499,981	-	1,933,446
Total business-type activities	\$ 2,603,764	\$ 1,766,080	\$ -	\$ 1,933,446
Total primary government	\$ 28,934,774	\$ 3,332,096	\$ 9,089,540	\$ 4,564,066
COMPONENT UNIT:				
School Board	\$ 40,951,911	\$ 1,188,258	\$ 22,739,281	\$ -
General revenues:				
General property taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
County contribution to the school board				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

The accompanying notes to financial statements are an integral part of this statement.

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	School Board
\$ (1,704,423)	\$ -	\$ (1,704,423)	\$ -
(903,837)	-	(903,837)	-
(2,598,065)	-	(2,598,065)	-
(400,309)	-	(400,309)	-
(1,490,426)	-	(1,490,426)	-
(5,594,190)	-	(5,594,190)	-
(843,385)	-	(843,385)	-
(741,820)	-	(741,820)	-
2,330,196	-	2,330,196	-
(70,825)	-	(70,825)	-
(1,027,750)	-	(1,027,750)	-
\$ (13,044,834)	\$ -	\$ (13,044,834)	\$ -
\$ -	\$ (623,112)	\$ (623,112)	-
-	(107,887)	(107,887)	-
-	1,826,761	1,826,761	-
\$ -	\$ 1,095,762	\$ 1,095,762	-
\$ (13,044,834)	\$ 1,095,762	\$ (11,949,072)	\$ -
\$ -	\$ -	\$ -	\$ (17,024,372)
\$ 22,684,654	\$ -	\$ 22,684,654	\$ -
6,261,152	-	6,261,152	-
551,748	101,266	653,014	319,086
514,260	-	514,260	1,004,548
2,803,975	-	2,803,975	-
-	-	-	5,051,012
(731,622)	731,622	-	-
\$ 32,084,167	\$ 832,888	\$ 32,917,055	\$ 6,374,646
\$ 19,039,333	\$ 1,928,650	\$ 20,967,983	\$ (10,649,726)
5,511,605	6,986,818	12,498,423	22,793,199
\$ 24,550,938	\$ 8,915,468	\$ 33,466,406	\$ 12,143,473

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## **Fund Financial Statements**

Balance Sheet - Governmental Funds  
At June 30, 2002

	<u>Governmental Funds</u>		<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 19,925,475	\$ 2,220,352	\$ 22,145,827
Receivables (Net of allowances for uncollectibles):			
Taxes, including penalties	759,539	-	759,539
Accounts	368,180	8,700	376,880
Due from other governmental units	<u>1,632,847</u>	<u>-</u>	<u>1,632,847</u>
Total assets	<u>\$ 22,686,041</u>	<u>\$ 2,229,052</u>	<u>\$ 24,915,093</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 120,568	\$ 99,665	\$ 220,233
Accrued liabilities	26,445	-	26,445
Due to component unit	2,269,007	-	2,269,007
Deferred revenue	<u>654,340</u>	<u>-</u>	<u>654,340</u>
Total liabilities	<u>\$ 3,070,360</u>	<u>\$ 99,665</u>	<u>\$ 3,170,025</u>
<b>FUND BALANCES</b>			
Unreserved:			
Designated for subsequent expenditures	\$ 974,489	\$ -	\$ 974,489
Designated for capital projects	2,000,000	2,129,387	4,129,387
Unreserved	<u>16,641,192</u>	<u>-</u>	<u>16,641,192</u>
Total fund balances	<u>\$ 19,615,681</u>	<u>\$ 2,129,387</u>	<u>\$ 21,745,068</u>
Total liabilities and fund balances	<u>\$ 22,686,041</u>	<u>\$ 2,229,052</u>	

Detailed explanation of adjustments from fund statements to government-wide statement of net assets:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole. 37,726,156

Adjustment for amounts due to / due from primary government

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (663,458)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance. 654,340

Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets. (34,911,168)

Net assets of General Government Activities \$ 24,550,938

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances --  
 Governmental Funds  
 Year Ended June 30, 2002

	<u>Governmental Fund Types</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Projects</u>	
Revenues:			
General property taxes	\$ 22,575,874	\$ -	\$ 22,575,874
Other local taxes	6,261,152	-	6,261,152
Permits, privilege fees and regulatory licenses	712,117	-	712,117
Fines and forfeitures	41,576	-	41,576
Revenue from use of money and property	551,748	6,710	558,458
Charges for services	812,323	-	812,323
Miscellaneous	514,260	100,000	614,260
Recovered costs	440,647	-	440,647
Intergovernmental:			
School Board Contribution to County	492,125	-	492,125
Commonwealth	8,542,931	70,080	8,613,011
Federal	3,350,584	719,288	4,069,872
Total revenues	<u>\$ 44,295,337</u>	<u>\$ 896,078</u>	<u>\$ 45,191,415</u>
Expenditures:			
Current:			
General government administration	\$ 2,027,756	\$ -	\$ 2,027,756
Judicial administration	1,542,471	-	1,542,471
Public safety	6,982,854	-	6,982,854
Public works	778,230	-	778,230
Health and welfare	7,677,139	-	7,677,139
Education	16,340,189	-	16,340,189
Parks, recreation, and cultural	897,627	-	897,627
Community development	799,450	-	799,450
Capital projects	-	2,324,154	2,324,154
Debt service:			
Principal retirement	1,518,820	-	1,518,820
Interest and other fiscal charges	1,523,903	-	1,523,903
Nondepartmental	70,825	-	70,825
Total expenditures	<u>\$ 40,159,264</u>	<u>\$ 2,324,154</u>	<u>\$ 42,483,418</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 4,136,073</u>	<u>\$ (1,428,076)</u>	<u>\$ 2,707,997</u>
Other financing sources (uses):			
Proceeds from indebtedness	\$ 13,025,026	\$ -	\$ 13,025,026
Payment of temporary loan	(15,000,000)	-	(15,000,000)
Literary fund subsidy	1,734,542	-	1,734,542
Operating transfers in	289,021	3,132,902	3,421,923
Operating transfers out	(786,400)	(3,367,145)	(4,153,545)
Total other financing sources (uses)	<u>\$ (737,811)</u>	<u>\$ (234,243)</u>	<u>\$ (972,054)</u>
Excess (deficiency) of revenues & other sources over expenditures & other uses	<u>\$ 3,398,262</u>	<u>\$ (1,662,319)</u>	<u>\$ 1,735,943</u>
Fund balances at beginning of year, as restated	<u>16,217,419</u>	<u>3,791,706</u>	<u>20,009,125</u>
Fund balances at end of year	<u>\$ 19,615,681</u>	<u>\$ 2,129,387</u>	<u>\$ 21,745,068</u>

The accompanying notes to financial statements are an integral part of this statement.

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities- Governmental Funds  
For the Year Ended June 30, 2002

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**Primary  
Government**

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**Governmental  
Activities**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 1,735,943
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	15,033,382
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	654,340
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items the treatment of long-term debt and related items.	1,518,820
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	96,848
Change in net assets of governmental activities	\$ 19,039,333

The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Assets  
 Proprietary Funds  
 June 30, 2002

	<u>Landfill Fund</u>	<u>Water &amp; Sewer Fund</u>	<u>Airport Fund</u>	<u>Totals</u>
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 1,555,565	\$ 82,506	\$ 60,398	\$ 1,698,469
Receivables (net of allowance for uncollectibles):				
Accounts receivable	95,278	-	5,960	101,238
Inventory	<u>-</u>	<u>-</u>	<u>23,114</u>	<u>23,114</u>
Total Current Assets	\$ <u>1,650,843</u>	\$ <u>82,506</u>	\$ <u>89,472</u>	\$ <u>1,822,821</u>
Noncurrent Assets				
Capital assets:				
Land	\$ 401,073	\$ 235,200	\$ 579,886	\$ 1,216,159
Buildings and equipment, net of depreciation	<u>4,752</u>	<u>1,982,937</u>	<u>7,113,024</u>	<u>9,100,713</u>
Total Noncurrent Assets	\$ <u>405,825</u>	\$ <u>2,218,137</u>	\$ <u>7,692,910</u>	\$ <u>10,316,872</u>
Total Assets	\$ <u><u>2,056,668</u></u>	\$ <u><u>2,300,643</u></u>	\$ <u><u>7,782,382</u></u>	\$ <u><u>12,139,693</u></u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable and accrued expenses	\$ 6,075	\$ 1,640	\$ 18,201	\$ 25,916
Current portion of long-term obligations	<u>-</u>	<u>-</u>	<u>138,547</u>	<u>138,547</u>
Total Current Liabilities	\$ <u>6,075</u>	\$ <u>1,640</u>	\$ <u>156,748</u>	\$ <u>164,463</u>
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	<u>663,355</u>	<u>-</u>	<u>2,396,407</u>	<u>3,059,762</u>
Total Liabilities	\$ <u>669,430</u>	\$ <u>1,640</u>	\$ <u>2,553,155</u>	\$ <u>3,224,225</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 405,825	\$ 2,218,137	\$ 5,157,956	\$ 7,781,918
Unrestricted assets	<u>981,413</u>	<u>80,866</u>	<u>71,271</u>	<u>1,133,550</u>
Total Net Assets	\$ <u>1,387,238</u>	\$ <u>2,299,003</u>	\$ <u>5,229,227</u>	\$ <u>8,915,468</u>
Total Liabilities and Net Assets	\$ <u><u>2,056,668</u></u>	\$ <u><u>2,300,643</u></u>	\$ <u><u>7,782,382</u></u>	\$ <u><u>12,139,693</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Fund Net Assets --  
 Proprietary Funds  
 Year Ended June 30, 2002

	<u>Landfill Fund</u>	<u>Water &amp; Sewer Fund</u>	<u>Airport Fund</u>	<u>Totals</u>
Operating revenues:				
Charges for services	\$ 1,222,639	\$ 43,460	\$ 499,981	\$ 1,766,080
Total operating revenues	\$ 1,222,639	\$ 43,460	\$ 499,981	\$ 1,766,080
Operating expenses:				
Personal services	\$ 190,527	\$ 44,808	\$ 109,256	\$ 344,591
Fringe benefits	45,466	6,737	22,812	75,015
Contractual services	1,588,221	55,421	54,059	1,697,701
Other charges	20,031	15,372	220,816	256,219
Depreciation	1,506	29,009	59,867	90,382
Total operating expenses	\$ 1,845,751	\$ 151,347	\$ 466,810	\$ 2,463,908
Operating income (loss)	\$ (623,112)	\$ (107,887)	\$ 33,171	\$ (697,828)
Nonoperating revenues (expenses):				
Interest income	\$ 69,812	\$ 4,071	\$ 27,383	\$ 101,266
Interest expense	-	-	(139,856)	(139,856)
Federal capital grants	-	-	1,436,025	1,436,025
State capital grants	-	-	497,421	497,421
Total nonoperating revenues	\$ 69,812	\$ 4,071	\$ 1,820,973	\$ 1,894,856
Income (loss) before transfers	\$ (553,300)	\$ (103,816)	\$ 1,854,144	\$ 1,197,028
Transfers in	-	578,709	2,499,416	3,078,125
Transfers out	(413,057)	-	(1,933,446)	(2,346,503)
Change in net assets	\$ (966,357)	\$ 474,893	\$ 2,420,114	\$ 1,928,650
Net assets at beginning of year, as restated	2,353,595	1,824,110	2,809,113	6,986,818
Net assets at end of year	\$ 1,387,238	\$ 2,299,003	\$ 5,229,227	\$ 8,915,468

The accompanying notes to financial statements are an integral part of this statement.

Statement of Cash Flows --  
 Proprietary Funds  
 Year Ended June 30, 2002

	Landfill Fund	Water & Sewer Fund	Airport Fund	Totals
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 1,223,284	\$ 43,460	\$ 512,009	\$ 1,778,753
Payments to suppliers	(1,704,721)	(83,726)	(272,340)	(2,060,787)
Payments to employees	(235,993)	(51,545)	(132,068)	(419,606)
Net cash provided by (used in) operating activities	\$ (717,430)	\$ (91,811)	\$ 107,601	\$ (701,640)
<b>Cash flows from capital and related financing activities:</b>				
Purchases of capital assets	\$ -	\$ (580,904)	\$ (2,499,416)	\$ (3,080,320)
State and federal grants	-	-	1,933,446	1,933,446
Transfers out	-	-	(1,933,446)	(1,933,446)
Interest expense	-	-	(139,856)	(139,856)
Transfers in	-	578,709	2,499,416	3,078,125
Retirement of bonds	-	-	(125,205)	(125,205)
Net cash used in capital and related financing activities	\$ -	\$ (2,195)	\$ (265,061)	\$ (267,256)
<b>Cash flows from noncapital financing activities:</b>				
Operating transfers out	\$ (413,057)	\$ -	\$ -	\$ (413,057)
<b>Cash flows from investing activities:</b>				
Interest income	\$ 69,812	\$ 4,071	\$ 27,383	\$ 101,266
Increase in cash and cash equivalents	\$ (1,060,675)	\$ (89,935)	\$ (130,077)	\$ (1,280,687)
Cash and cash equivalents at beginning of year	2,616,240	172,441	190,475	2,979,156
Cash and cash equivalents at end of year	\$ 1,555,565	\$ 82,506	\$ 60,398	\$ 1,698,469
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (719,581)	\$ (107,887)	\$ 33,171	\$ (794,297)
Adjustments to reconcile net loss to net cash provided by operations:				
Depreciation	\$ 1,506	\$ 29,009	\$ 59,867	\$ 90,382
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(14,864)	-	12,068	(2,796)
Decrease in inventory	-	-	1,228	1,228
Increase (decrease) in accounts payable	5,685	(12,933)	1,267	(5,981)
Increase in long-term obligations	9,824	-	-	9,824
Total adjustments	\$ 2,151	\$ 16,076	\$ 74,430	\$ 92,657
Net cash provided by (used in) operating activities	\$ (717,430)	\$ (91,811)	\$ 107,601	\$ (701,640)

The accompanying notes to financial statements are an integral part of this statement.

Statement of Fiduciary Net Assets --  
Fiduciary Funds  
At June 30, 2002

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	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 30,184
Total assets	\$ <u>30,184</u>
LIABILITIES	
Amounts held for inmates	\$ 9,451
Amounts held for social service clients	<u>20,733</u>
Total liabilities	\$ <u>30,184</u>

The accompanying notes to financial statements are an integral part of this statement.



# COUNTY OF CULPEPER, VIRGINIA

## Notes to Financial Statements As of June 30, 2002

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### **Note 1—Summary of Significant Accounting Policies:**

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The County of Culpeper, Virginia was formed in 1749 and it is governed by an elected seven member Board of Supervisors. The Board of Supervisors is responsible for appointing the County Administrator. The County provides a full range of services for its citizens. These services include police and volunteer fire protection; sanitation services; recreational activities, cultural events, education, social services.

The financial statements of the County of Culpeper, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

#### Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the County prepares and presents financial information.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

#### Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its components units. For the most part, effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Statement of Net Assets - The Statement of Net Assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets, in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

## COUNTY OF CULPEPER, VIRGINIA

*Notes to Financial Statements*  
*As of June 30, 2002 (Continued)*

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### **Note 1—Summary of Significant Accounting Policies: (Continued)**

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Statement of Activities - The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

#### **A. Financial Reporting Entity**

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organizations governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Culpeper, Virginia (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2002 (Continued)

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### **Note 1—Summary of Significant Accounting Policies: (Continued)**

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#### **B. Individual Component Unit Disclosures**

*Blended Component Units* - The County has no blended component units.

*Discretely Presented Component Units* - The School Board members are elected and are responsible for the operations of the County's School System. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2002.

#### Other Related Organizations

##### Included in the County's Comprehensive Annual Financial Report

None

##### Excluded from the County's Comprehensive Annual Financial Report

The Piedmont Regional Control Board is considered a joint venture. The County School Boards for the localities of Culpeper, Orange, Madison & Rappahannock participate in supporting the Piedmont Regional Control Board for local residents. The Center provides vocational training to secondary and adult students. The Piedmont Regional Control Board is governed by an eight member board of trustees of which two are appointed by each of the participating localities. No one locality contributes more than 50% of the Board's funding.

Complete financial statements for the Center can be obtained from the County Administrative Offices located at 302 N. Main Street, Culpeper, Virginia 22701.

##### Rappahannock-Rapidan Planning District Commission

The Commission was created by resolution pursuant to state statute and is considered a jointly governed organization and therefore its operations are not included in the county's financial statements. The County appoints two of the 17 board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

##### Rappahannock-Rapidan Community Services Board

The Board was created by resolution pursuant to state statute and is considered a jointly governed organization and therefore its operations are not included in the county's financial statements. The County appoints two of the 14 board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

## COUNTY OF CULPEPER, VIRGINIA

*Notes to Financial Statements*  
*As of June 30, 2002 (Continued)*

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### **Note 1—Summary of Significant Accounting Policies: (Continued)**

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#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

The government-wide statement of activities reflect both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

## COUNTY OF CULPEPER, VIRGINIA

*Notes to Financial Statements*  
*As of June 30, 2002 (Continued)*

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### **Note 1—Summary of Significant Accounting Policies: (Continued)**

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#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

##### **1. Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following major governmental funds.

###### **a. General Fund**

The General Fund is the primary operating fund of the County. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licences, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for government-wide reporting purposes.

###### **b. Capital Projects Fund**

The Capital Projects Fund (Capital Improvements) accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds. The capital projects fund is considered a major fund for government-wide reporting purposes.

2. **Proprietary Funds** - account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

##### **3. Enterprise Funds**

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## COUNTY OF CULPEPER, VIRGINIA

*Notes to Financial Statements  
As of June 30, 2002 (Continued)*

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### **Note 1—Summary of Significant Accounting Policies: (Continued)**

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#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

##### **3. Enterprise Funds (continued)**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The County reports the following major enterprise funds:

Water and Sewer Fund - This fund is used to account for sewage treatment plant, sewage pumping stations and collection systems as well as the water distribution system.

Landfill Fund - This fund is used to account for the activities of the County's landfill.

Airport Fund - This fund is used to account for the activities occurring at the County's Airport.

4. Fiduciary Funds (Trust and Agency Funds) account for assets held be the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the modified accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

#### **D. Budgets and Budgetary Accounting**

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however the School Board is authorized to transfer budgeted amount within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund and the Capital Projects Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. Several supplemental appropriations were necessary during the year and at year-end.
8. All budget data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

## COUNTY OF CULPEPER, VIRGINIA

*Notes to Financial Statements  
As of June 30, 2002 (Continued)*

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### **Note 1—Summary of Significant Accounting Policies: (Continued)**

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#### **E. Cash and Cash Equivalents**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County government and the School Board to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

#### **F. Investments**

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents. Investments consist of assets held by a trustee.

#### **G. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$406,934 at June 30, 2002 is composed solely of property taxes.

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable December 5th. The County bills and collects its own property taxes.

#### **H. Inventory**

Inventory is reported at cost.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2002 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### I. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2002 was \$492,125.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20-40
Vehicles	5
Office and computer equipment	5
Buses	12

#### J. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.



## COUNTY OF CULPEPER, VIRGINIA

*Notes to Financial Statements*  
*As of June 30, 2002 (Continued)*

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### **Note 1—Summary of Significant Accounting Policies: (Continued)**

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#### **K. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **L. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **M. Retirement Plan**

Retirement plan contributions are actuarially determined and consist of current services costs and amortization of prior service cost over a 30-year period. The County's policy is to fund pension costs as it accrues.

#### **N. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Note 2—Cash and Cash Equivalents:**

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Deposits - All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia (a multiple financial institution collateral pool) or covered by federal depository insurance. Under the act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amounts of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2002 (Continued)

### Note 2—Cash and Cash Equivalents:

Investments - Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and the state Treasurer's Local Government Investment Pool (LGIP).

The County's investment in the LGIP is the same as the value of the pool shares.

The County's and its component unit—School Board's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its safekeeping agent in the County's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or safekeeping agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or safekeeping agent but not in the County's name.

The County's investments in the LGIP are authorized by the Code of Virginia and is managed under the direction of the State Treasurer.

	Category			Carrying	Fair
	1	2	3	Amount	Value
<u>Primary Government:</u>					
Repurchase Agreements	\$ -	\$ -	\$ 2,952,595	\$ 2,952,595	\$ 2,952,595
U.S. Government Securities	1,025,654	-	-	937,278	937,278
Commercial Paper	2,139,296	-	-	2,175,279	2,175,279
Corporate bonds	1,964,193	-	-	2,046,189	2,046,189
Total	<u>\$ 5,129,143</u>	<u>\$ -</u>	<u>\$ 2,952,595</u>	\$ 8,111,341	\$ 8,111,341
Investment in State Treasurer's Local Government Investment Pool (LGIP)				14,409,051	14,409,051
Virginia state Non-arbitrage Program				314,210	314,210
Total investments				<u>\$ 22,834,602</u>	<u>\$ 22,834,602</u>
Deposits				1,034,228	
Petty cash				5,650	
Total				<u>\$ 23,874,480</u>	

Reconciliation to statement of net assets:

Total per Exhibit 1	\$ 23,844,296
Total per Exhibit 9	<u>30,184</u>
Total	<u>\$ 23,874,480</u>

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2002 (Continued)

### Note 2—Cash and Cash Equivalents: (Continued)

The fair value in the external investment pool is the same as the value of the pool shares at June 30, 2002.

	<b>Category</b>			<b>Carrying</b>	<b>Fair</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>Amount</b>	<b>Value</b>
<u>Component Unit-School Board:</u>					
Repurchase Agreements	\$ <u>-</u>	\$ <u>-</u>	\$ <u>438,285</u>	\$ 438,285	\$ 438,285
Investment in State Treasurer's Local Virginia State Non-arbitrage Program				<u>6,437,183</u>	<u>6,437,183</u>
Total investments				\$ <u>6,875,468</u>	\$ <u>6,875,468</u>
Deposits				<u>(935,480)</u>	
Total				\$ <u>5,939,988</u>	

Due to significantly higher cash flows at certain times during the year, the County's investment in overnight repurchase agreements for which the underlying securities were held by the dealer increased significantly. As a result, the amounts that were in Category 3 at those times were significantly higher than at year-end.

### Note 3—Due from Other Governments:

At June 30, 2002 the County and School Board had receivables from other governments as follows:

	<b>Primary Government</b>	<b>Discretely Presented Component Unit School Board</b>
Commonwealth of Virginia:		
Criminal justice services	\$ 6,597	\$ -
Shared expenses	241,660	-
State sales taxes	-	725,602
Local sales taxes	711,990	-
Public assistance	53,048	-
Comprehensive services	195,729	-
Federal Government:		
School funds	-	331,669
Public assistance	399,969	-
School food	-	11,969
Criminal justice grants	<u>23,854</u>	<u>-</u>
Totals	\$ <u>1,632,847</u>	\$ <u>1,069,240</u>

# COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2002 (Continued)

## Note 4—Due To/From Primary Government/Component Units:

<u>Fund</u>	<u>Due from Primary Government</u>	<u>Due to Component Unit</u>
General	\$ -	\$ 2,269,007
School	<u>2,269,007</u>	<u>-</u>
Totals	\$ <u><u>2,269,007</u></u>	\$ <u><u>2,269,007</u></u>

## Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2002:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
<b>Primary Government:</b>				
Land	\$ 2,383,038	\$ 144,100	\$ -	\$ 2,527,138
Buildings and improvements	5,923,467	1,314,168	-	7,237,635
Equipment	2,244,351	490,866	-	2,735,217
Jointly owned assets	-	31,858,762	1,485,533	30,373,229
Construction in progress	<u>78,121</u>	<u>1,590,722</u>	<u>-</u>	<u>1,668,843</u>
Totals	\$ 10,628,977	\$ 35,398,618	\$ 1,485,533	\$ 44,542,062
Accumulated depreciation	<u>6,023,712</u>	<u>1,027,881</u>	<u>235,687</u>	<u>6,815,906</u>
Net Capital assets primary government	\$ <u><u>4,605,265</u></u>	\$ <u><u>34,370,737</u></u>	\$ <u><u>1,249,846</u></u>	\$ <u><u>37,726,156</u></u>
<b>Component Unit School Board:</b>				
Land and land improvements	\$ 1,266,068	\$ -	\$ -	\$ 1,266,068
Buildings and improvements	31,847,479	708,664	19,337,355	13,218,788
Equipment	6,358,317	347,696	-	6,706,013
Jointly owed assets	<u>-</u>	<u>1,485,533</u>	<u>-</u>	<u>1,485,533</u>
Totals	\$ 39,471,864	\$ 2,541,893	\$ 19,337,355	\$ 22,676,402
Accumulated depreciation	<u>14,554,693</u>	<u>931,557</u>	<u>-</u>	<u>15,486,250</u>
Net Capital assets component unit school board	\$ <u><u>24,917,171</u></u>	\$ <u><u>1,610,336</u></u>	\$ <u><u>19,337,355</u></u>	\$ <u><u>7,190,152</u></u>

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2002 (Continued)

### Note 5—Capital Assets:

New legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has change the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Culpeper, Virginia for the year ended June 30, 2002, is that assets and debt in the amount of \$30,373,229 have been transferred to the Primary Government from the Component Unit School Board for financial reporting purposes.

The gross cost and accumulated depreciation balances at June 30, 2001 were restated to record accumulated depreciation in accordance with adoption of GASB Statement No. 34. The gross cost balances at June 30, 2001 were also restated to reflect and increase in the County’s capitalization threshold from \$1,000 to \$5,000. Balances as of June 30, 2001 were restated as follows:

	<u>Balance</u> <u>June 30, 2001</u>	<u>Restatement</u>	<u>Restated</u> <u>Balance</u> <u>June 30, 2001</u>
<b>Primary Government:</b>			
Land	\$ 3,729,111	\$ (1,346,073)	\$ 2,383,038
Buildings and improvements	11,545,337	(5,621,870)	5,923,467
Equipment	3,033,417	(789,066)	2,244,351
Construction in progress	<u>-</u>	<u>78,121</u>	<u>78,121</u>
Totals	\$ 18,307,865	\$ (7,678,888)	\$ 10,628,977
Accumulated depreciation	<u>-</u>	<u>6,023,712</u>	<u>6,023,712</u>
Net Capital assets primary government	<u>\$ 18,307,865</u>	<u>\$ (1,655,176)</u>	<u>\$ 16,652,689</u>
<b>Component Unit School Board:</b>			
Land and land improvements	\$ 2,557,371	\$ (1,291,303)	\$ 1,266,068
Buildings and improvements	28,973,682	2,873,797	31,847,479
Equipment	<u>9,972,026</u>	<u>(3,613,709)</u>	<u>6,358,317</u>
Totals	\$ 41,503,079	\$ (2,031,215)	\$ 39,471,864
Accumulated depreciation	<u>-</u>	<u>(14,554,693)</u>	<u>(14,554,693)</u>
Net Capital assets component unit school board	<u>\$ 41,503,079</u>	<u>\$ (16,585,908)</u>	<u>\$ 24,917,171</u>

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2002 (Continued)

### Note 5—Capital Assets: (Continued)

#### Enterprise Capital Assets:

The following is a summary of changes in enterprise capital assets during the year:

<u>Water and Sewer Fund:</u>	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Land	\$ 235,200	\$ -	\$ -	\$ 235,200
Sewer plant	1,160,353	1,040,151	-	2,200,504
Construction in Progress	459,247	-	459,247	-
Total Water and Sewer Fund	\$ 1,854,800	\$ 1,040,151	\$ 459,247	\$ 2,435,704
Less accumulated depreciation	(188,558)	(29,009)	-	(217,567)
Net capital assets	<u>\$ 1,666,242</u>	<u>\$ 1,011,142</u>	<u>\$ 459,247</u>	<u>\$ 2,218,137</u>
<u>Landfill Fund:</u>				
Land	\$ 401,073	\$ -	\$ -	\$ 401,073
Equipment	52,729	-	-	52,729
Total Landfill Fund	453,802	-	-	453,802
Less accumulated depreciation	(46,471)	(1,506)	-	(47,977)
Net capital assets	<u>\$ 407,331</u>	<u>\$ (1,506)</u>	<u>\$ -</u>	<u>\$ 405,825</u>
<u>Airport Fund:</u>				
Land	\$ 579,886	\$ -	\$ -	\$ 579,886
Buildings and Runways	4,788,159	2,499,416	-	7,287,575
Equipment	34,736	-	-	34,736
Total Airport Fund	5,402,781	2,499,416	-	7,902,197
Less accumulated depreciation	(149,420)	(59,867)	-	(209,287)
Net capital assets	<u>\$ 5,253,361</u>	<u>\$ 2,439,549</u>	<u>\$ -</u>	<u>\$ 7,692,910</u>
Total enterprise funds	<u>\$ 7,326,934</u>	<u>\$ 3,449,185</u>	<u>\$ 459,247</u>	<u>\$ 10,316,872</u>

## COUNTY OF CULPEPER, VIRGINIA

*Notes to Financial Statements*  
*As of June 30, 2002 (Continued)*

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### **Note 5—Capital Assets: (Continued)**

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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 29,169
Judicial administration	34,444
Public safety	173,562
Public works	67,236
Health and welfare	19,143
Education	525,562
Parks, recreation and cultural	163,827
Community development	<u>14,938</u>
Total	\$ <u><u>1,027,881</u></u>
Component Unit School Board	\$ <u><u>695,870</u></u>

### **Note 6—Deferred Revenue:**

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Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$654,340 is comprised of the following:

#### **A. Deferred Property Tax Revenue**

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$654,340 at June 30, 2002

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2002 (Continued)

### Note 7—Long-Term Obligations:

#### Primary Government:

The following is a summary of changes in long-term obligation transactions for the fiscal year ending June 30, 2002:

	<u>Amounts Payable July 1, 2001 (1)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable June 30, 2002</u>	<u>Amounts Due Within One Year</u>
Governmental Funds:					
Compensated absences payable	\$ 753,864	\$ 86,748	\$ -	\$ 840,612	\$ 23,542
General obligation bonds	22,507,985	13,025,026	1,485,533	34,047,488	2,049,803
Capital lease obligations	56,335	-	33,287	23,068	23,068
Notes payable	<u>15,000,000</u>	<u>-</u>	<u>15,000,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 38,318,184</u>	<u>\$ 13,111,774</u>	<u>\$ 16,518,820</u>	<u>\$ 34,911,168</u>	<u>\$ 2,096,413</u>
Enterprise Funds:					
Compensated absences payable	\$ 18,085	\$ 7,637	\$ -	\$ 25,722	\$ -
Airport revenue bonds	2,650,492	-	131,436	2,519,056	138,547
Landfill closure and post-closure costs	<u>750,000</u>	<u>-</u>	<u>96,469</u>	<u>653,531</u>	<u>-</u>
Total enterprise funds	<u>\$ 3,418,577</u>	<u>\$ 7,637</u>	<u>\$ 227,905</u>	<u>\$ 3,198,309</u>	<u>\$ 138,547</u>

(1) Note: Section 15.2-1800.1, Code of Virginia, 1950, as amended, was enacted during the year ended June 30, 2002, which affected the reporting of local school capital assets and related debt for financial statement purposes. All debt used to finance school capital assets historically reported by the Discretely Presented Component Unit - School Board, has been assumed by the Primary Government as a result of this legislation.



## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2002 (Continued)

### Note 7—Long-Term Obligations: (Continued)

#### Primary Government: (continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Revenue Bonds		Capital Lease		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 138,547	\$ 132,533	\$ 23,068	\$ 405	\$ 2,049,803	\$ 1,895,882
2004	146,042	124,835	-	-	2,047,422	1,690,234
2005	153,943	116,720	-	-	2,114,894	1,575,452
2006	162,272	108,167	-	-	2,104,048	1,457,122
2007	171,051	99,151	-	-	2,098,431	1,339,044
2008	180,304	89,647	-	-	2,148,054	1,221,599
2009	190,059	79,628	-	-	2,176,838	1,099,485
2010	200,341	69,067	-	-	2,166,845	976,196
2011	211,180	57,961	-	-	1,641,635	872,750
2012	222,604	46,202	-	-	1,596,928	787,577
2013	234,647	33,833	-	-	1,496,230	709,350
2014	247,342	20,796	-	-	1,531,700	631,153
2015	260,724	7,053	-	-	1,567,716	550,596
2016	-	-	-	-	1,604,310	464,797
2017	-	-	-	-	1,646,512	376,891
2018	-	-	-	-	1,259,352	298,299
2019	-	-	-	-	1,302,862	228,687
2020	-	-	-	-	1,352,082	156,569
2021	-	-	-	-	1,399,506	89,143
2022	-	-	-	-	742,320	18,929
Totals	\$ 2,519,056	\$ 985,593	\$ 23,068	\$ 405	\$ 34,047,488	\$ 16,439,755

Debt service requirements for general obligation bonds are met by the General Fund. The County retains the liability for the portion of general obligation bonds issued to fund capital projects of the School Board.

General obligation bonds are direct obligations and pledge the full faith and credit of the County.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2002 (Continued)

### Note 7—Long-Term Obligations:

#### Primary Government: (Continued)

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<b>General Fund:</b>		
Capital lease obligation:		
\$157,377 lease obligation for telephone system issued February 15, 1998, payable in 60 monthly installments of \$2,934 beginning March 15, 1998 through February 15, 2003, interest at 4.66%	\$ <u>23,068</u>	\$ <u>23,068</u>
School General Obligation Bonds:		
\$13,025,026 Virginia Public School Authority Bonds Series 2001B, issued November 15, 2001, maturing annually through July 15, 2021, interest payable semi-annually at 4.57%	\$ 13,025,026	\$ 592,736
\$12,000,000 Virginia Public School Authority Bonds 1994SA, issued April 1, 1994, to refund 1989B and 1990A maturing annually through December 15, 2009, interest payable semi-annually at rates from 7.000% to 7.225%	4,640,000	595,000
\$1,500,000 Virginia Public School Authority Bonds 1991A, issued May 1, 1991, maturing annually through December 15, 2010, interest payable semi-annually at rates from 6.1% to 8.1%	670,000	65,000
\$2,069,507 Virginia Public School Authority Bonds 1991B, issued July 1, 1991, maturing annually through July 15, 2011, interest payable semi-annually at rates from 4.85% to 6.60%	1,117,462	102,067
\$2,675,000 Virginia Public School Authority Bonds 1996A, issued May 1, 1996, maturing annually through January 15, 2017, interest payable semi-annually at rates ranging from 4.6% to 6.1%	2,025,000	135,000
\$6,000,000 Virginia Public School Authority Bonds 1996B, issued November 14, 1996, maturing annually through July 15, 2016, interest payable semi-annually at rates ranging from 5.1% to 5.255%	4,500,000	300,000
\$8,325,000 Series 2000, issued August 10, 2000, maturing in various annual installments through January 15, 2021, interest payable semi-annually at 5.33%	<u>8,070,000</u>	<u>260,000</u>
Total general obligation bonds	\$ <u>34,047,488</u>	\$ <u>2,049,803</u>
Compensated absences	\$ <u>840,612</u>	\$ <u>23,542</u>
Total long-term obligations	\$ <u><u>34,911,168</u></u>	\$ <u><u>2,096,413</u></u>

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2002 (Continued)

### Note 7—Long-Term Obligations:

#### Primary Government: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Enterprise Funds:		
Airport Revenue Bond:		
\$2,835,000 revenue bonds series 1999 issued December 15, 1999, payable in annual principal installments ranging from \$131,436 to \$260,723 through July 15, 2014, interest payable semiannually at 5.41%	\$ 2,519,056	\$ 138,547
Compensated absences	25,722	-
Landfill postclosure costs	<u>653,531</u>	<u>-</u>
Total enterprise obligations	<u>\$ 3,198,309</u>	<u>\$ 138,547</u>

#### Component Unit School Board:

The following is summary of changes in long-term obligation transactions for fiscal year ending June 30, 2002.

	<u>Amounts Payable July 1, 2001</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable June 30, 2002</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable	\$ 90,932	\$ 300,660	\$ -	\$ 391,592	\$ 39,159
Total	<u>\$ 90,932</u>	<u>\$ 300,660</u>	<u>\$ -</u>	<u>\$ 391,592</u>	<u>\$ 39,159</u>

(1) Note: Section 15.2-1800.1, Code of Virginia, 1950, as amended, was enacted during the year ended June 30, 2002, which affected the reporting of local school capital assets and related debt for financial statement purposes. All debt historically reported by the Discretely Presented Component Unit - School Board, has been assumed by the Primary Government as a result of this legislation.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2002 (Continued)

### Note 8—Landfill Closure and Postclosure Care Cost:

The County owns a landfill site and began collecting tipping fees based upon the source of the waste as of July 1, 1994. The County maintains a contract with an independent contractor for operations of the landfill; however, the County is responsible for landfill closure and postclosure costs.

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$653,531 reported as landfill closure and postclosure care liability at June 30, 2002, represents the cumulative amount reported based on the use of 100% percent of the estimated capacity of the landfill. The County has closed the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2002. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from tipping fee revenues and from any funds accumulated for this purpose in the County Landfill Fund.

### Note 9—Commitments and Contingencies:

At June 30, 2002, the County has several major projects under construction which are summarized below as, contract amounts, expenses to date, and balances of contracts remaining.

<u>Project</u>	<u>Contract Amounts</u>	<u>Expenses to Date</u>	<u>Balance of Contracts</u>
Primary Government:			
Animal Shelter	\$ 785,045	\$ 728,376	\$ 56,669
Taxiway construction	1,390,327	1,370,082	20,245
T-Hangars and Maintenance Hangars	<u>1,356,959</u>	<u>164,468</u>	<u>1,192,491</u>
Total	<u>\$ 3,532,331</u>	<u>\$ 2,262,926</u>	<u>\$ 1,269,405</u>
Component Unit-School Board:			
BINNS	\$ 16,097,756	\$ 13,787,248	\$ 2,310,508
CCHS	<u>4,953,769</u>	<u>4,303,835</u>	<u>649,934</u>
Total	<u>\$ 21,051,525</u>	<u>\$ 18,091,083</u>	<u>\$ 2,960,442</u>

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

## COUNTY OF CULPEPER, VIRGINIA

*Notes to Financial Statements*  
*As of June 30, 2002 (Continued)*

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### **Note 9—Commitments and Contingencies:**

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While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

### **Note 10—Defined Benefit Pension Plan:**

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#### **A. Plan Description**

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

#### **B. Funding Policy**

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be and has been assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County and School Board non-professional employee contribution rates for the fiscal year ended 2002 were 5.00% and 1.00% of annual covered payroll, respectively.

The School Board's contribution for professional employees were \$843,686, \$1,621,260 and \$1,776,970 to the teacher cost-sharing pool for the fiscal years ended June 30, 2002, 2001 and 2000 respectively and these contributions represented 4.24%, 7.54% and 8.49% respectively, of current covered payroll.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2002 (Continued)

### Note 10—Defined Benefit Pension Plan: (Continued)

#### C. Annual Pension Cost

For fiscal 2002, the County's annual pension cost of \$397,074 was equal to the County's required and actual contributions. The required contributions were determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method.

In fiscal 2002, the School Board's annual pension cost for the non-professional employees was \$16,753 which was equal to the Board's required and actual contributions. The required contributions were determined as a part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method.

	<u>County</u>	<u>Non-Professional School Board</u>
Valuation date	June 30, 2001	June 30, 2001
Actuarial Cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	3%	3%
Remaining amortization period	13 Years	25 Years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investments rate of return <sup>1</sup>	8%	8%
Projected salary increases <sup>1</sup>		
Non LEO Employees	4.25% to 6.10%	4.25% to 6.10%
LEO Employees	4.50% to 5.75%	4.50% to 5.75%
Cost-of-living adjustments	3%	3%

<sup>1</sup> Include inflation at 3%

Trend information for the County and School Board:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2002	\$ 397,074	100%	\$ -
June 30, 2001	764,756	100%	-
June 30, 2000	494,536	100%	-
School Board:			
Non-professional:			
June 30, 2002	\$ 16,753	100%	\$ -
June 30, 2001	18,094	100%	-
June 30, 2000	124,652	100%	-

(1) Employer portion only

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2002 (Continued)

### Note 10—Defined Benefit Pension Plan: (Continued)

#### C. Annual Pension Cost (continued)

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (2) (3)	Annual Covered Payroll	UAAL as % of Payroll (4) (6)
County:						
06/30/01	\$ 16,346,485	\$ 14,506,623	\$ (1,839,862)	112.68%	\$ 7,098,431	(25.92%)
06/30/00	14,443,143	13,039,792	(1,403,351)	110.76%	6,755,592	(20.77%)
06/30/99	12,122,655	11,985,214	(137,441)	101.1%	6,130,554	( 2.2%)
School Board—Non-Professional:						
06/30/01	\$ 4,714,930	\$ 3,576,430	\$ (1,138,500)	131.83%	\$ 1,670,389	(68.16%)
06/30/00	4,233,834	3,211,819	(1,022,015)	131.82%	1,484,951	(68.82%)
06/30/99	3,645,818	3,151,924	(493,894)	115.7%	1,480,925	( 33.4%)

### Note 11—Risk Management:

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance.

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of losses. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2002 (Continued)

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### Note 12—Segment Information:

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The government maintains three enterprise funds. The Water and Sewer Fund accounts for the provision of basic utility services to industrial customers. The Landfill Fund accounts for the operations of the County landfill providing services to all citizens. The Airport Fund accounts for all services provided at the County Airport. Selected segment information for the year ended June 30, 2002 is as follows:

	<u>Landfill</u>	<u>Water and Sewer</u>	<u>Airport</u>	<u>Total</u>
Operating revenues	\$ 1,222,639	\$ 43,460	\$ 499,981	\$ 1,766,080
Depreciation	1,506	29,009	59,867	90,382
Operating income or (loss)	(623,112)	(107,887)	33,171	(697,828)
Operating transfers in	-	578,709	2,499,416	3,078,125
Operating transfers out	(413,057)	-	(1,933,446)	(2,346,503)
Net income	(966,357)	474,893	2,420,114	1,928,650
Net working capital	1,644,768	80,866	(67,276)	1,658,358
Total assets	2,056,668	2,300,643	7,782,730	12,140,041
Landfill closure and postclosure costs	653,531	-	-	653,531
Revenue bonds payable	-	-	2,519,056	2,519,056
Non-operating revenues	69,812	4,071	1,820,973	1,894,856
Total net assets	1,387,238	2,299,003	5,229,227	8,915,468

### Note 13—Litigation:

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At June 30, 2002, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

### Note 14—Expenditures and Appropriations:

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Expenditures did not exceed appropriations at June 30, 2002 in any fund or department function. Several supplemental appropriations were required at year-end.



## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2002 (Continued)

### Note 15—Interfund Transfers:

Interfund transfers to the year ended June 30, 2002, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 289,021	\$ 786,400
Landfill Fund	-	413,057
Water & Sewer Fund	578,709	-
County Capital Improvements Fund	3,132,902	3,367,145
Airport Fund	<u>2,499,416</u>	<u>1,933,446</u>
Total	<u>\$ 6,500,048</u>	<u>\$ 6,500,048</u>
Component Unit - School Board:		
School Operating Fund	\$ -	\$ 329,066
School Capital Projects Fund	<u>329,066</u>	<u>-</u>
Total	<u>\$ 329,066</u>	<u>\$ 329,066</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

### Note 16—Fund Balance Adjustments:

Fund balances at June 30, 2001 were restated as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise Airport Fund</u>
Balances as previously reported	\$ 15,846,530	\$ 586,798	\$ -
Reclassification of special revenue funds	370,889	(586,798)	215,911
Capital assets net of depreciation	-	-	5,253,361
Long-term debt	-	-	(2,650,492)
Accrued leave	<u>-</u>	<u>-</u>	<u>(9,667)</u>
Fund balance/net assets, as restated	<u>\$ 16,217,419</u>	<u>\$ -</u>	<u>\$ 2,809,113</u>

## COUNTY OF CULPEPER, VIRGINIA

*Notes to Financial Statements*  
*As of June 30, 2002 (Continued)*

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### **Note 17—Surety Bonds:**

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	<u><b>Amount</b></u>
Fidelity and Deposit Company of Maryland - Surety:	
Patricia Payne, Clerk of the Circuit Court	\$ 25,000
W. Stephen Southard, Treasurer	400,000
Terry Yowell, Commissioner of the Revenue	3,000
H. Lee Hart, Sheriff	30,000
Above constitutional officers' employees - blanket bond	50,000
Aetna Casualty and Surety Company - Surety	
Calvin Coleman, Director of the Department of Social Services	100,000
James C. Lee, Supervisor	1,000
William C. Chase, Supervisor	1,000
Steven L. Walker, Supervisor	1,000
Carolyn S. Smith, Supervisor	1,000
John F. Coates, Supervisor	1,000
Sue D. Hansohn, Supervisor	1,000
Bradley C. Rosenberger, Supervisor	1,000

## **Required Supplementary Information**

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## **Combining and Individual Fund Statements and Schedules**

**COUNTY OF CULPEPER, VIRGINIA**

Statement of Revenues, Expenditures and Changes in Fund Balances --  
Budget and Actual -- General and Capital Projects Fund

Year Ended June 30, 2002

	<b>General Fund</b>			<b>Variance From Amended Budget Positive (Negative)</b>
	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	
Revenues:				
General property taxes	\$ 24,537,577	\$ 24,537,577	\$ 22,575,874	\$ (1,961,703)
Other local taxes	5,846,240	5,874,890	6,261,152	386,262
Permits, privilege fees and regulatory licenses	497,517	497,517	712,117	214,600
Fines and forfeitures	51,000	51,000	41,576	(9,424)
Revenue from use of money and property	1,033,668	1,033,886	551,748	(482,138)
Charges for services	776,578	1,028,984	812,323	(216,661)
Miscellaneous	433,596	465,726	514,260	48,534
Recovered costs	44,938	66,628	440,647	374,019
Intergovernmental:				
School Board Contribution to County	-	-	492,125	492,125
Commonwealth	8,616,691	9,237,645	8,542,931	(694,714)
Federal	140,211	1,389,396	3,350,584	1,961,188
Total revenues	\$ 41,978,016	\$ 44,183,249	\$ 44,295,337	\$ 112,088
Expenditures:				
Current:				
General government administration	\$ 2,295,506	\$ 2,389,662	\$ 2,027,756	\$ 361,906
Judicial administration	1,600,853	1,618,409	1,542,471	75,938
Public safety	7,057,216	7,411,285	6,982,854	428,431
Public works	742,905	985,595	778,230	207,365
Health and welfare	6,359,300	8,625,841	7,677,139	948,702
Education	17,276,399	17,124,029	16,340,189	783,840
Parks, recreation, and cultural	992,110	1,035,639	897,627	138,012
Community development	939,917	963,723	799,450	164,273
Capital projects	-	-	-	-
Debt service:				
Principal retirement	2,207,067	2,207,067	1,518,820	688,247
Interest and other fiscal charges	1,657,072	1,657,072	1,523,903	133,169
Nondepartmental	151,607	53,793	70,825	(17,032)
Total expenditures	\$ 41,279,952	\$ 44,072,115	\$ 40,159,264	\$ 3,912,851
Excess (deficiency) of revenues over expenditures	\$ 698,064	\$ 111,134	\$ 4,136,073	\$ 4,024,939
Other financing sources (uses):				
Proceeds from indebtedness	\$ -	\$ -	\$ 13,025,026	\$ 13,025,026
Payment of temporary loan	-	-	(15,000,000)	(15,000,000)
Literary fund subsidy	-	-	1,734,542	1,734,542
Operating transfers in	-	289,021	289,021	-
Operating transfers (out)	(1,238,196)	(1,036,815)	(786,400)	250,415
Total other financing sources (uses)	\$ (1,238,196)	\$ (747,794)	\$ (737,811)	\$ 9,983
Excess (deficiency) of revenues & other sources over expenditures & other uses	\$ (540,132)	\$ (636,660)	\$ 3,398,262	\$ 4,034,922
Fund balances at beginning of year, as restated	540,132	636,660	16,217,419	15,580,759
Fund balances at end of year	\$ -	\$ -	\$ 19,615,681	\$ 19,615,681

The accompanying notes to financial statements are an integral part of this statement.

Capital Projects Fund			
Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	6,710	6,710
-	-	-	-
-	-	-	-
390,000	390,000	100,000	(290,000)
-	-	-	-
-	-	-	-
2,126,800	2,511,437	70,080	(2,441,357)
-	-	719,288	719,288
<u>\$ 2,516,800</u>	<u>\$ 2,901,437</u>	<u>\$ 896,078</u>	<u>\$ (2,005,359)</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
3,303,200	11,569,007	2,324,154	9,244,853
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 3,303,200</u>	<u>\$ 11,569,007</u>	<u>\$ 2,324,154</u>	<u>\$ 9,244,853</u>
<u>\$ (786,400)</u>	<u>\$ (8,667,570)</u>	<u>\$ (1,428,076)</u>	<u>\$ 7,239,494</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
786,400	1,199,457	3,132,902	1,933,445
-	(289,021)	(3,367,145)	(3,078,124)
<u>\$ 786,400</u>	<u>\$ 910,436</u>	<u>\$ (234,243)</u>	<u>\$ (1,144,679)</u>
\$ -	\$ (7,757,134)	\$ (1,662,319)	\$ 6,094,815
-	7,757,134	3,791,706	(3,965,428)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,129,387</u>	<u>\$ 2,129,387</u>

Combining Schedule of Fiduciary Net Assets -  
 Agency Funds  
 At June 30, 2002

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	<b>Special Welfare Fund</b>	<b>Sheriff Commissory Fund</b>	<b>Totals</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 20,733	\$ 9,451	\$ 30,184
Total assets	<u>\$ 20,733</u>	<u>\$ 9,451</u>	<u>\$ 30,184</u>
<b>Liabilities:</b>			
Amounts held for inmates	\$ -	\$ 9,451	\$ 9,451
Amounts held for social service clients	<u>20,733</u>	<u>-</u>	<u>20,733</u>
Total liabilities	<u>\$ 20,733</u>	<u>\$ 9,451</u>	<u>\$ 30,184</u>



## Schedule of Capital Assets by Source

At June 30, 2002

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	<b><u>Primary Government</u></b>
Land	\$ 2,527,138
Building and building improvements	7,237,635
Equipment	2,735,217
Joint tenancy	30,373,229
Construction in progress	<u>1,668,843</u>
Total capital assets	\$ <u><u>44,542,062</u></u>
Investment in capital assets from:	
Proceeds from indebtedness	\$ 34,047,488
General fund revenues	<u>10,494,574</u>
Total investment in capital assets	\$ <u><u>44,542,062</u></u>

## Schedule of Capital Assets by Function

At June 30, 2002

	<u>Land</u>	<u>Building &amp; Building Improvements</u>	<u>Equipment</u>	<u>Joint Tenancy</u>	<u>Cons- truction in Progress</u>	<u>Total</u>
General Government Administration	\$ -	\$ 100,340	\$ 258,040	\$ -	\$ -	\$ 358,380
Judicial Administration	18,700	5,223	234,291	-	-	258,214
Public Safety	636,081	2,269,673	1,279,236	-	1,355,411	5,540,401
Public Works	1,388,757	2,598,628	200,549	-	238,948	4,426,882
Health and Welfare	-	474,178	-	-	-	474,178
Education	-	-	-	30,373,229	-	30,373,229
Parks, Recreation and Cultural	-	1,779,958	674,015	-	74,484	2,528,457
Community Development	<u>483,600</u>	<u>9,635</u>	<u>89,086</u>	<u>-</u>	<u>-</u>	<u>582,321</u>
Total general capital assets - Primary Government	<u>\$ 2,527,138</u>	<u>\$ 7,237,635</u>	<u>\$ 2,735,217</u>	<u>\$ 30,373,229</u>	<u>\$ 1,668,843</u>	<u>\$ 44,542,062</u>

## Schedule of Changes in Capital Assets by Function

Year Ended June 30, 2002

	<b>Capital Assets July 1, 2001</b>	<b>Additions</b>	<b>Deletions</b>	<b>Capital Assets June 30, 2002</b>
General Government Administration	\$ 314,915	\$ 43,465	\$ -	\$ 358,380
Judicial Administration	258,214	-	-	258,214
Public Safety	2,976,462	2,563,939	-	5,540,401
Public Works	3,725,203	701,679	-	4,426,882
Health and Welfare	338,652	135,526	-	474,178
Joint Tenancy Assets	19,337,355	12,521,407	1,485,533	30,373,229
Parks, Recreation and Cultural	2,433,210	95,247	-	2,528,457
Community Development	582,321	-	-	582,321
Total capital assets - Primary Government	\$ <u>29,966,332</u>	\$ <u>16,061,263</u>	\$ <u>1,485,533</u>	\$ <u>44,542,062</u>

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**Discretely Presented Component Unit—School Board**

Combining Balance Sheet  
Discretely Presented Component Unit -- School Board

At June 30, 2002

	<b>Governmental Funds</b>			
	<b>School Operating Fund</b>	<b>School Cafeteria Fund</b>	<b>School Capital Projects Fund</b>	<b>Totals</b>
<b>ASSETS AND OTHER DEBITS</b>				
Assets:				
Cash and cash equivalents	\$ 106,876	\$ 592,535	\$ 5,240,577	\$ 5,939,988
Receivables (Net of allowances for uncollectibles):				
Accounts receivable	-	-	11,766	11,766
Due from other governmental units	1,057,271	11,969	-	1,069,240
Due from primary government	2,269,007	-	-	2,269,007
Total assets and other debits	<u>\$ 3,433,154</u>	<u>\$ 604,504</u>	<u>\$ 5,252,343</u>	<u>\$ 9,290,001</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 295,758	\$ -	\$ 418,748	\$ 714,506
Accrued liabilities	3,137,396	93,186	-	3,230,582
Total liabilities	<u>\$ 3,433,154</u>	<u>\$ 93,186</u>	<u>\$ 418,748</u>	<u>\$ 3,945,088</u>
<b>EQUITY AND OTHER CREDITS</b>				
Fund Balances				
Unreserved:				
Designated for subsequent expenditures	\$ -	\$ 511,318	\$ -	\$ 511,318
Designated for capital projects	-	-	4,833,595	4,833,595
Undesignated	-	-	-	-
Total fund balances	<u>\$ -</u>	<u>\$ 511,318</u>	<u>\$ 4,833,595</u>	<u>\$ 5,344,913</u>
Total equity and other credits	<u>\$ -</u>	<u>\$ 511,318</u>	<u>\$ 4,833,595</u>	<u>\$ 5,344,913</u>
Total liabilities, equity and other credits	<u>\$ 3,433,154</u>	<u>\$ 604,504</u>	<u>\$ 5,252,343</u>	

Detailed explanation of adjustments from fund statements to government-wide statement of net assets:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole.

7,190,152

Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets.

(391,592)

Net assets of General Government Activities

\$ 12,143,473

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Discretely Presented Component Unit -- School Board  
Year Ended June 30, 2002

	<b>Governmental Fund Types</b>			
	<b>School Operating Fund</b>	<b>School Cafeteria Fund</b>	<b>School Capital Projects Fund</b>	<b>Totals</b>
Revenues:				
Revenue from use of money and property	\$ 5,120	\$ 5,017	\$ 308,949	\$ 319,086
Charges for services	15,595	1,172,663	-	1,188,258
Miscellaneous	955,268	49,280	-	1,004,548
Intergovernmental:				
County contribution to School Board	16,322,573	-	-	16,322,573
Commonwealth	20,633,474	28,228	-	20,661,702
Federal	1,425,658	651,921	-	2,077,579
Total revenues	\$ 39,357,688	\$ 1,907,109	\$ 308,949	\$ 41,573,746
Expenditures:				
Current:				
Education	\$ 39,032,558	\$ 1,745,797	\$ -	\$ 40,778,355
Capital projects	-	-	12,262,668	12,262,668
Contribution to Primary Government	-	-	492,125	492,125
Total expenditures	\$ 39,032,558	\$ 1,745,797	\$ 12,754,793	\$ 53,533,148
Excess (deficiency) of revenues over expenditures	\$ 325,130	\$ 161,312	\$ (12,445,844)	\$ (11,959,402)
Other financing sources (uses):				
Operating transfers in	\$ -	\$ -	\$ 329,066	\$ 329,066
Operating transfers out	(329,066)	-	-	(329,066)
Total other financing sources (uses)	\$ (329,066)	\$ -	\$ 329,066	\$ -
Excess (deficiency) of revenues & other sources over expenditures & other uses	\$ (3,936)	\$ 161,312	\$ (12,116,778)	\$ (11,959,402)
Fund balances at beginning of year	3,936	350,006	16,950,373	17,304,315
Fund balances at end of year	\$ -	\$ 511,318	\$ 4,833,595	\$ 5,344,913

COUNTY OF CULPEPER, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances --  
 Budget and Actual -- Discretely Presented Component Unit  
 Year Ended June 30, 2002

	School Operating Fund				School Cafeteria Fund			
	Budget	Amended	Actual	Variance From Amended Budget Positive (Negative)	Budget	Amended	Actual	Variance From Amended Budget Positive (Negative)
Revenues:								
Revenue from use of money and property	\$ -	\$ -	\$ 5,120	\$ 5,120	\$ -	\$ -	\$ 5,017	\$ 5,017
Charges for services	-	-	15,595	15,595	1,113,383	1,113,383	1,172,663	59,280
Miscellaneous	200,000	200,000	955,268	755,268	26,617	26,617	49,280	22,663
Intergovernmental:								
County contribution to School Board	16,946,413	17,106,413	16,322,573	(783,840)	-	-	-	-
Commonwealth	21,039,488	21,304,713	20,633,474	(671,239)	-	-	28,228	28,228
Federal	1,507,370	1,813,310	1,425,658	(387,652)	660,000	660,000	651,921	(8,079)
Total revenues	\$ 39,693,271	\$ 40,424,436	\$ 39,357,688	\$ (1,066,748)	\$ 1,800,000	\$ 1,800,000	\$ 1,907,109	\$ 107,109
Expenditures:								
Current:								
Education	\$ 39,364,205	\$ 40,097,921	\$ 39,032,558	\$ 1,065,363	\$ 1,800,000	\$ 1,800,000	\$ 1,745,797	\$ 54,203
Capital projects	-	-	-	-	-	-	-	-
Contribution to Primary Government	-	-	-	-	-	-	-	-
Total expenditures	\$ 39,364,205	\$ 40,097,921	\$ 39,032,558	\$ 1,065,363	\$ 1,800,000	\$ 1,800,000	\$ 1,745,797	\$ 54,203
Excess (deficiency) of revenues over expenditures	\$ 329,066	\$ 326,515	\$ 325,130	\$ (1,385)	\$ -	\$ -	\$ 161,312	\$ 161,312
Other financing sources (uses):								
Operating transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating transfers out	(329,066)	(329,066)	(329,066)	-	-	-	-	-
Total other financing sources (uses)	\$ (329,066)	\$ (329,066)	\$ (329,066)	\$ -	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues & other sources over expenditures & other uses	\$ -	\$ (2,551)	\$ (3,936)	\$ (1,385)	\$ -	\$ -	\$ 161,312	\$ 161,312
Fund balances at beginning of year	-	2,551	3,936	1,385	-	-	350,006	350,006
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 511,318	\$ 511,318



School Capital Projects Fund				Totals			
Budget	Amended	Actual	Variance From Amended Budget Positive (Negative)	Budget	Amended	Actual	Variance From Amended Budget Positive (Negative)
\$ -	\$ -	\$ 308,949	\$ 308,949	\$ -	\$ -	\$ 319,086	\$ 319,086
-	-	-	-	1,113,383	1,113,383	1,188,258	74,875
-	-	-	-	226,617	226,617	1,004,548	777,931
-	-	-	-	16,946,413	17,106,413	16,322,573	(783,840)
-	-	-	-	21,039,488	21,304,713	20,661,702	(643,011)
-	-	-	-	2,167,370	2,473,310	2,077,579	(395,731)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,949</u>	<u>\$ 308,949</u>	<u>\$ 41,493,271</u>	<u>\$ 42,224,436</u>	<u>\$ 41,573,746</u>	<u>\$ (650,690)</u>
\$ -	\$ -	\$ -	\$ -	\$ 41,164,205	\$ 41,897,921	\$ 40,778,355	\$ 1,119,566
329,066	16,752,683	12,262,668	4,490,015	329,066	16,752,683	12,262,668	4,490,015
-	-	492,125	(492,125)	-	-	492,125	(492,125)
<u>\$ 329,066</u>	<u>\$ 16,752,683</u>	<u>\$ 12,754,793</u>	<u>\$ 3,997,890</u>	<u>\$ 41,493,271</u>	<u>\$ 58,650,604</u>	<u>\$ 53,533,148</u>	<u>\$ 5,117,456</u>
<u>\$ (329,066)</u>	<u>\$ (16,752,683)</u>	<u>\$ (12,445,844)</u>	<u>\$ 4,306,839</u>	<u>\$ -</u>	<u>\$ (16,426,168)</u>	<u>\$ (11,959,402)</u>	<u>\$ 4,466,766</u>
\$ 329,066	\$ 329,066	\$ 329,066	\$ -	\$ 329,066	\$ 329,066	\$ 329,066	\$ -
-	-	-	-	(329,066)	(329,066)	(329,066)	-
<u>\$ 329,066</u>	<u>\$ 329,066</u>	<u>\$ 329,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (16,423,617)	\$ (12,116,778)	\$ 4,306,839	\$ -	\$ (16,426,168)	\$ (11,959,402)	\$ (4,466,766)
-	16,423,617	16,950,373	526,756	-	16,426,168	17,304,315	878,147
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,833,595</u>	<u>\$ 4,833,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,344,913</u>	<u>\$ 5,344,913</u>

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities-  
Discretely Presented Component Unit  
For the Year Ended June 30, 2002

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (11,959,402)
--	-----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

1,610,336
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

<u>(300,660)</u>
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Change in net assets of governmental activities

\$ <u><u>(10,649,726)</u></u>
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Schedule of Capital Assets by Source -  
Discretely Presented Component Unit  
At June 30, 2002

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	<b>Component Unit- School Board</b>
	<hr/>
Land and land improvements	\$ 1,266,068
Building and building improvements	13,218,788
Equipment	6,706,013
Jointly owned assets	<hr/> 1,485,533
Total capital assets	\$ <hr/> <hr/> 22,676,402
Investment in capital assets from:	
General fund revenues	\$ <hr/> 22,676,402
Total investment in capital assets	\$ <hr/> <hr/> 22,676,402

Schedule of Capital Assets by Function  
Discretely Presented Component Unit  
At June 30, 2002

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	<b>Land and Land Improvements</b>	<b>Building and Building Improvements</b>	<b>Equipment</b>	<b>Jointly Owned Assets</b>	<b>Total</b>
Education	\$ <u>1,266,068</u>	\$ <u>13,218,788</u>	\$ <u>6,706,013</u>	\$ <u>1,485,533</u>	\$ <u>22,676,402</u>

Schedule of Changes in Capital Assets by Function  
Discretely Presented Component Unit  
Year Ended June 30, 2002

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	<b>Capital Assets July 1, 2001</b>	<b>Additions</b>	<b>Deletions</b>	<b>Capital Assets June 30, 2002</b>
Education	\$ <u>20,134,509</u>	\$ <u>2,541,893</u>	\$ <u>-</u>	\$ <u>22,676,402</u>

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## **Supporting Schedules**

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Governmental Funds and Discretely Presented Component Unit  
Statement of Revenues -- Budget and Actual  
Year Ended June 30, 2002

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	<b>Variance From Amended Budget Positive (Negative)</b>
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 15,126,775	\$ 15,126,775	\$ 15,216,200	\$ 89,425
Real and personal public service corporation property taxes	900,000	900,000	984,706	84,706
Personal property taxes	6,551,563	6,551,563	4,344,617	(2,206,946)
Mobile home taxes	26,803	26,803	29,723	2,920
Machinery and tools taxes	1,556,206	1,556,206	1,633,675	77,469
Penalties	206,186	206,186	233,374	27,188
Interest	170,044	170,044	133,579	(36,465)
Total general property taxes	\$ 24,537,577	\$ 24,537,577	\$ 22,575,874	\$ (1,961,703)
Other local taxes:				
Local sales and use taxes	\$ 3,631,790	\$ 3,631,790	\$ 3,659,581	\$ 27,791
Transient occupancy tax	5,296	5,296	5,379	83
Consumer utility taxes	1,236,797	1,236,797	1,270,679	33,882
Business license taxes	400	400	1,000	600
Motor vehicle licenses	455,000	455,000	503,264	48,264
Taxes on recordation and wills	151,957	151,957	368,118	216,161
E-911 Taxes	365,000	393,650	453,131	59,481
Total other local taxes	\$ 5,846,240	\$ 5,874,890	\$ 6,261,152	\$ 386,262
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 12,262	\$ 12,262	\$ 11,512	\$ (750)
Building and related permits	274,170	274,170	633,936	359,766
Other permits and licenses	211,085	211,085	66,669	(144,416)
Total permits, privilege fees and regulatory licenses	\$ 497,517	\$ 497,517	\$ 712,117	\$ 214,600
Fines and Forfeitures:				
Court fines and forfeitures	\$ 51,000	\$ 51,000	\$ 41,576	\$ (9,424)
Revenue from use of money and property:				
Revenue from use of money	\$ 1,013,827	\$ 1,014,045	\$ 532,548	\$ (481,497)
Revenue from use of property	19,841	19,841	19,200	(641)
Total revenue from use of money and property	\$ 1,033,668	\$ 1,033,886	\$ 551,748	\$ (482,138)
Charges for services:				
Excess fees of clerk	\$ 22,162	\$ 22,162	\$ 18,830	\$ (3,332)
Charges for Commonwealth's attorney	495	495	1,224	729
Charges for parks and recreation	34,704	34,704	37,545	2,841
Charges for law enforcement and traffic control	8,979	23,979	14,100	(9,879)
Charges for courthouse maintenance fees	15,397	15,397	15,166	(231)
Charges for other protection	17,081	17,081	18,735	1,654
Charges for library	26,500	27,115	28,929	1,814
Charges for planning and community development	3,500	3,500	4,791	1,291

Governmental Funds and Discretely Presented Component Unit  
Statement of Revenues -- Budget and Actual  
Year Ended June 30, 2002 (continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	<b>Variance From Amended Budget Positive Negative</b>
Primary Government: (Continued)				
General Fund: (Continued)				
Charges for services: (continued)				
Charges for law library	\$ 13,535	\$ 13,535	\$ 13,600	\$ 65
Cosmetology fees	-	-	83,387	83,387
Charges for daycare	634,225	871,016	576,016	(295,000)
Total charges for services	\$ 776,578	\$ 1,028,984	\$ 812,323	\$ (216,661)
Miscellaneous revenue:				
Miscellaneous	\$ 433,596	\$ 465,726	\$ 428,700	\$ (37,026)
Insurance recoveries	-	-	85,560	85,560
Total miscellaneous revenue	\$ 433,596	\$ 465,726	\$ 514,260	\$ 48,534
Recovered costs:				
Health department	\$ -	\$ -	\$ 25,000	\$ 25,000
Career resource center	-	21,690	296,673	274,983
Payments from localities	44,938	44,938	118,974	74,036
Total recovered costs	\$ 44,938	\$ 66,628	\$ 440,647	\$ 374,019
Total revenue from local sources	\$ 33,221,114	\$ 33,556,208	\$ 31,909,697	\$ (1,646,511)
Intergovernmental revenue:				
School Board contribution to County	\$ -	\$ -	\$ 492,125	\$ 492,125
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 49,226	\$ 49,226	\$ 66,865	\$ 17,639
Wine taxes	27,540	27,540	34,672	7,132
Motor vehicle carriers' tax	38,420	38,420	38,716	296
Recordation tax	159,012	159,012	186,787	27,775
Mobile home titling taxes	24,795	24,795	34,256	9,461
Tax on deeds	58,970	58,970	-	(58,970)
PPTRA	-	-	2,437,139	2,437,139
Sterilization funds	-	660	676	16
Auto rental tax	2,000	2,000	4,864	2,864
Total noncategorical aid	\$ 359,963	\$ 360,623	\$ 2,803,975	\$ 2,443,352
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 321,230	\$ 328,243	\$ 307,594	\$ (20,649)
Sheriff	2,170,000	2,170,000	2,002,756	(167,244)
Commissioner of the Revenue	107,000	107,000	102,355	(4,645)
Treasurer	97,200	97,200	122,420	25,220
Medical examiner	590	590	450	(140)
Registrar/electoral board	40,027	40,027	92,103	52,076
Clerk of the Circuit Court	313,036	313,036	273,419	(39,617)
E-911	-	-	121,000	121,000
Combined Court	4,192	4,192	7,694	3,502
Total shared expenses	\$ 3,053,275	\$ 3,060,288	\$ 3,029,791	\$ (30,497)

COUNTY OF CULPEPER, VIRGINIA

Schedule 1  
Page 3 of 6

Governmental Funds and Discretely Presented Component Unit  
Statement of Revenues -- Budget and Actual  
Year Ended June 30, 2002 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Other categorical aid:				
Welfare administration and assistance	\$ 2,984,820	\$ 3,300,595	\$ 744,392	\$ (2,556,203)
Local jail	179,982	179,982	190,932	10,950
Welfare to work grant	486,400	486,400	92,425	(393,975)
Abandoned vehicle program	5,000	5,000	-	(5,000)
Fire service program	26,000	26,000	24,730	(1,270)
Families first grant	330,031	330,031	318,965	(11,066)
Options	25,400	28,700	23,300	(5,400)
Library aid	123,428	138,661	138,661	-
Community youth services grant	482,140	736,725	616,576	(120,149)
Juvenile and domestic relations	147,254	147,254	147,254	-
Local law enforcement block grants	-	20,860	-	(20,860)
Records preservation grant	-	-	21,567	21,567
Criminal justice services	238,185	232,267	258,891	26,624
Commission for the arts	5,000	5,000	5,000	-
School resource officer grant	28,763	28,763	26,386	(2,377)
Crime victim assistance	102,753	102,753	64,340	(38,413)
VPSA grant	-	-	6,500	6,500
Other categorical aid	38,297	47,743	29,246	(18,497)
Total other categorical aid	\$ 5,203,453	\$ 5,816,734	\$ 2,709,165	\$ (3,107,569)
Total categorical aid	\$ 8,256,728	\$ 8,877,022	\$ 5,738,956	\$ (3,138,066)
Total revenue from the Commonwealth	\$ 8,616,691	\$ 9,237,645	\$ 8,542,931	\$ (694,714)
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ -	\$ 150,000	\$ 2,633,429	\$ 2,483,429
Adult services grant	137,854	229,211	211,638	(17,573)
School resource officer grant	-	-	35,954	35,954
VSTOP grant	-	-	52,880	52,880
Emergency services	-	-	14,292	14,292
DMV selective enforcement grant	2,357	2,357	8,875	6,518
Law enforcement grant	-	-	20,860	20,860
DCJS grants	-	-	2,500	2,500
LSTA grants	-	-	3,115	3,115
Revenue maximization	-	1,007,828	367,041	(640,787)
Total revenue from the federal government	\$ 140,211	\$ 1,389,396	\$ 3,350,584	\$ 1,961,188
Total General Fund	\$ 41,978,016	\$ 44,183,249	\$ 44,295,337	\$ 112,088
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ -	\$ -	\$ 6,710	\$ 6,710

Governmental Funds and Discretely Presented Component Unit  
Statement of Revenues -- Budget and Actual  
Year Ended June 30, 2002 (continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	<b>Variance From Amended Budget Positive (Negative)</b>
Primary Government: (Continued)				
Capital Projects Fund: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 390,000	\$ 390,000	\$ 100,000	\$ (290,000)
Total revenue from local sources	\$ 390,000	\$ 390,000	\$ 106,710	\$ (283,290)
Revenue from the Commonwealth:				
Categorical aid:				
Aviation grant	\$ 1,519,000	\$ 1,903,637	\$ -	\$ (1,903,637)
VDOT grant	607,800	607,800	-	(607,800)
Indoor plumbing grant	-	-	70,080	70,080
Total revenue from the Commonwealth	\$ 2,126,800	\$ 2,511,437	\$ 70,080	\$ (2,441,357)
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ -	\$ 719,288	\$ 719,288
Total revenue from the Federal government	\$ -	\$ -	\$ 719,288	\$ 719,288
Total Capital Projects Fund	\$ 2,516,800	\$ 2,901,437	\$ 896,078	\$ (2,005,359)
Grand Total Revenues -- Primary Government	\$ 44,494,816	\$ 47,084,686	\$ 45,191,415	\$ (1,893,271)
Component Unit -- School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ -	\$ -	\$ 5,120	\$ 5,120
Total revenue from use of money and property	\$ -	\$ -	\$ 5,120	\$ 5,120
Charges for services:				
Textbook sales	\$ -	\$ -	\$ 7,437	\$ 7,437
Charges for tuition	-	-	8,158	8,158
Total charges for services	\$ -	\$ -	\$ 15,595	\$ 15,595
Miscellaneous revenue:				
Refunds of gasoline tax	\$ -	\$ -	\$ 508,529	\$ 508,529
Miscellaneous	200,000	200,000	446,739	246,739
Total miscellaneous revenue	\$ 200,000	\$ 200,000	\$ 955,268	\$ 755,268
Total revenue from local sources	\$ 200,000	\$ 200,000	\$ 975,983	\$ 775,983
Intergovernmental revenue:				
County contribution to School Board	\$ 16,946,413	\$ 17,106,413	\$ 16,322,573	\$ (783,840)

Governmental Funds and Discretely Presented Component Unit  
Statement of Revenues -- Budget and Actual  
Year Ended June 30, 2002 (continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	<b>Variance From Amended Budget Positive (Negative)</b>
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,148,131	\$ 4,148,131	\$ 3,936,503	\$ (211,628)
Basic school aid	10,318,037	10,318,037	10,692,176	374,139
Special education-SOQ	1,023,226	1,023,226	1,046,967	23,741
Primary class size	390,597	390,597	384,998	(5,599)
Gifted and talented	121,974	121,974	124,804	2,830
Remedial education	233,783	233,783	235,741	1,958
Third grade remedial	70,965	70,965	58,255	(12,710)
Vocational education-SOQ	172,796	172,796	176,806	4,010
Teacher incentive	548,883	548,883	291,209	(257,674)
At - risk	238,233	238,233	243,430	5,197
Lottery	665,673	665,673	788,682	123,009
Textbook	207,525	207,525	212,340	4,815
Hospital, clinics, detention homes	-	-	266,314	266,314
Salary supplement	153,746	153,746	201,236	47,490
SOL staff development	84,690	84,690	86,655	1,965
Fringe benefits	1,019,107	1,019,107	946,644	(72,463)
SOL reimbursement	390,597	390,597	98,886	(291,711)
Dropout prevention	90,313	90,313	90,313	-
SOL algebra readiness	-	-	48,019	48,019
Technology resource	-	-	15,603	15,603
School construction	347,074	347,074	347,180	106
Other categorical aid	814,138	1,079,363	340,713	(738,650)
Total categorical aid	\$ 21,039,488	\$ 21,304,713	\$ 20,633,474	\$ (671,239)
Total revenue from the Commonwealth	\$ 21,039,488	\$ 21,304,713	\$ 20,633,474	\$ (671,239)
Revenue from the federal government:				
Categorical aid:				
Chapter I	\$ 465,000	\$ 465,000	\$ 668,168	\$ 203,168
Title II -- education for economic security	35,000	35,000	21,657	(13,343)
Drug free schools	-	-	20,264	20,264
Class size reduction	-	-	123,158	123,158
Title VI	44,800	44,800	38,913	(5,887)
Title VI - B	489,950	489,950	330,331	(159,619)
School to work	77,945	77,945	45,615	(32,330)
Preschool incentive	50,000	50,000	29,348	(20,652)
Vocational education	108,580	108,580	113,251	4,671
Goals	-	-	34,310	34,310
Developmental disabilities basic grant	-	-	643	643
E-Rate	85,000	85,000	-	(85,000)
Job training partnership act	106,000	106,000	-	(106,000)
Miscellaneous federal grants	45,095	351,035	-	(351,035)
Total revenue from the federal government	\$ 1,507,370	\$ 1,813,310	\$ 1,425,658	\$ (387,652)
Total School Operating Fund	\$ 39,693,271	\$ 40,424,436	\$ 39,357,688	\$ (1,066,748)

Governmental Funds and Discretely Presented Component Unit  
Statement of Revenues -- Budget and Actual  
Year Ended June 30, 2002 (continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Amended Budget Positive (Negative)</u>
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 5,017	\$ 5,017
Charges for services:				
Cafeteria sales	1,113,383	1,113,383	1,172,663	59,280
Miscellaneous revenue:				
Miscellaneous	<u>26,617</u>	<u>26,617</u>	<u>49,280</u>	<u>22,663</u>
Total revenue from local sources	<u>\$ 1,140,000</u>	<u>\$ 1,140,000</u>	<u>\$ 1,226,960</u>	<u>\$ 86,960</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,228</u>	<u>\$ 28,228</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,228</u>	<u>\$ 28,228</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	<u>\$ 660,000</u>	<u>\$ 660,000</u>	<u>\$ 651,921</u>	<u>\$ (8,079)</u>
Total revenue from the federal government	<u>\$ 660,000</u>	<u>\$ 660,000</u>	<u>\$ 651,921</u>	<u>\$ (8,079)</u>
Total School Cafeteria Fund	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,907,109</u>	<u>\$ 107,109</u>
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,949</u>	<u>\$ 308,949</u>
Total School Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,949</u>	<u>\$ 308,949</u>
Grand Total Revenues -- Component Unit -- School Board	<u>\$ 41,493,271</u>	<u>\$ 42,224,436</u>	<u>\$ 41,573,746</u>	<u>\$ (650,690)</u>
Grand Total Revenues -- Reporting Entity	<u>\$ 85,988,087</u>	<u>\$ 89,309,122</u>	<u>\$ 86,765,161</u>	<u>\$ (2,543,961)</u>

Governmental Funds and Discretely Presented Component Unit  
Statement of Expenditures -- Budget and Actual  
Year Ended June 30, 2002

<b>Fund, Function, Activity, Element</b>	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	<b>Variance From Amended Budget Positive (Negative)</b>
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 146,265	\$ 177,884	\$ 162,341	\$ 15,543
General and financial administration:				
County administration	\$ 245,648	\$ 232,762	\$ 225,544	\$ 7,218
County attorney	178,128	173,428	151,793	21,635
Auditor	51,940	51,940	24,155	27,785
Commissioner of the Revenue	288,512	290,909	269,959	20,950
Real estate assessor	124,672	173,810	96,072	77,738
Treasurer	326,602	345,451	318,833	26,618
Department of finance and budget	448,124	455,409	377,042	78,367
Information systems	352,957	355,006	294,181	60,825
Total general and financial administration	\$ 2,016,583	\$ 2,078,715	\$ 1,757,579	\$ 321,136
Board of Elections:				
Electoral board and officials	\$ 45,610	\$ 45,610	\$ 32,888	\$ 12,722
Registrar	87,048	87,453	74,948	12,505
Total board of elections	\$ 132,658	\$ 133,063	\$ 107,836	\$ 25,227
Total general government administration	\$ 2,295,506	\$ 2,389,662	\$ 2,027,756	\$ 361,906
Judicial administration:				
Courts:				
Circuit court	\$ 65,010	\$ 65,415	\$ 48,566	\$ 16,849
Special magistrates	2,200	2,200	1,835	365
Clerk of the circuit court	453,554	461,429	431,261	30,168
Law library	14,350	19,050	21,908	(2,858)
Victim assistance program	68,370	68,775	69,419	(644)
Combined court	18,700	23,429	18,172	5,257
Sheriff	278,954	272,851	266,305	6,546
Criminal justice services	238,565	234,265	214,723	19,542
Commissioner of accounts	1,038	1,038	386	652
Total courts	\$ 1,140,741	\$ 1,148,452	\$ 1,072,575	\$ 75,877
Commonwealth's attorney:				
Commonwealth's attorney	\$ 460,112	\$ 469,957	\$ 469,896	\$ 61
Total judicial administration	\$ 1,600,853	\$ 1,618,409	\$ 1,542,471	\$ 75,938
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,368,922	\$ 2,449,788	\$ 2,229,202	\$ 220,586
EMS council	14,700	15,022	15,022	-
IPPO grant	47,467	49,575	31,658	17,917

Governmental Funds and Discretely Presented Component Unit  
Statement of Expenditures -- Budget and Actual  
Year Ended June 30, 2002 (continued)

<b>Fund, Function, Activity, Element</b>	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	<b>Variance From Amended Budget Positive (Negative)</b>
Primary Government: (Continued)				
General Fund: (continued)				
Public safety: (continued)				
Law enforcement and traffic control: (continued)				
Dare program	\$ -	\$ 11,587	\$ 6,697	\$ 4,890
PO Family support grant	39,684	40,373	38,404	1,969
Options grant	60,175	60,580	57,449	3,131
School resource officer grant	-	-	77,209	(77,209)
VSTOP grant	-	34,804	63,448	(28,644)
Law enforcement block grant	-	20,860	2,387	18,473
Other law enforcement and traffic control	-	-	760	(760)
E-911	851,277	931,093	805,749	125,344
Total law enforcement and traffic control	\$ 3,382,225	\$ 3,613,682	\$ 3,327,985	\$ 285,697
Fire and rescue services:				
Fire and rescue	\$ 626,150	\$ 656,933	\$ 690,587	\$ (33,654)
State forest fire extinction	6,000	6,000	5,674	326
Total fire and rescue services	\$ 632,150	\$ 662,933	\$ 696,261	\$ (33,328)
Correction and detention:				
Sheriff	\$ 1,785,053	\$ 1,811,504	\$ 1,754,583	\$ 56,921
Probation office	191,400	191,400	121,217	70,183
Total correction and detention	\$ 1,976,453	\$ 2,002,904	\$ 1,875,800	\$ 127,104
Inspections:				
Building	\$ 464,308	\$ 516,263	\$ 480,996	\$ 35,267
Other protection:				
Animal control	\$ 281,430	\$ 284,113	\$ 277,430	\$ 6,683
Medical examiner	1,500	1,500	800	700
Emergency services	319,150	329,890	323,582	6,308
Total other protection	\$ 602,080	\$ 615,503	\$ 601,812	\$ 13,691
Total public safety	\$ 7,057,216	\$ 7,411,285	\$ 6,982,854	\$ 428,431
Maintenance of general buildings and grounds:				
General properties	\$ 742,905	\$ 985,595	\$ 778,230	\$ 207,365
Total maintenance of general buildings and grounds	\$ 742,905	\$ 985,595	\$ 778,230	\$ 207,365
Total public works	\$ 742,905	\$ 985,595	\$ 778,230	\$ 207,365
Health and welfare:				
Health:				
Local health department	\$ 287,084	\$ 287,084	\$ 266,191	\$ 20,893
Mental health and mental retardation:				
Community services board	\$ 322,783	\$ 322,783	\$ 321,100	\$ 1,683



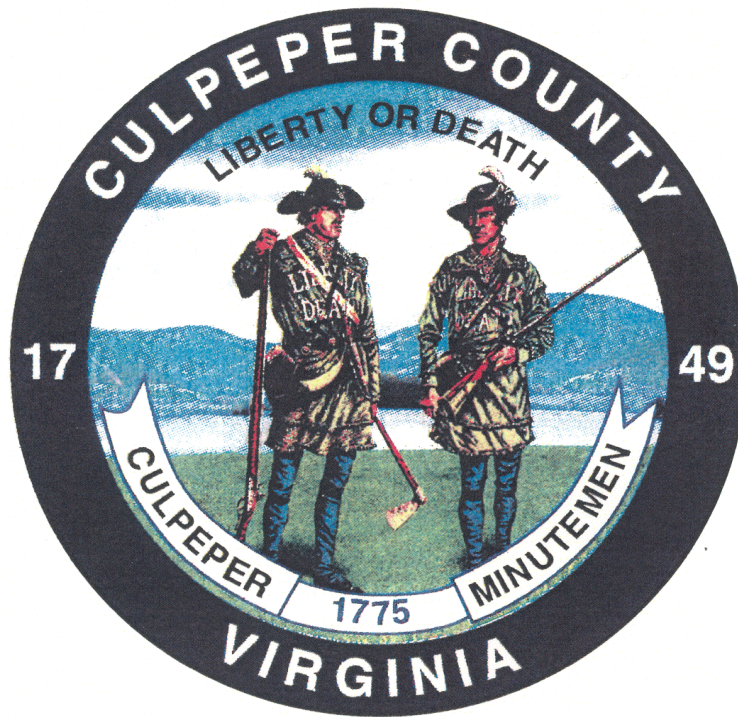
Governmental Funds and Discretely Presented Component Unit  
Statement of Expenditures -- Budget and Actual  
Year Ended June 30, 2002 (continued)

<b>Fund, Function, Activity, Element</b>	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	<b>Variance From Amended Budget Positive (Negative)</b>
Primary Government: (Continued)				
General Fund: (continued)				
Welfare:				
Administration and public assistance	\$ 3,384,818	\$ 3,454,201	\$ 3,334,964	\$ 119,237
Community youth services	667,549	1,075,996	1,080,715	(4,719)
Families first	330,031	332,863	320,261	12,602
Options	58,554	62,259	61,718	541
Daycare expenditures	634,255	1,287,600	1,197,338	90,262
Revenue maximization	-	1,007,828	627,508	380,320
Career resource center	674,226	795,227	467,344	327,883
Total welfare	\$ 5,749,433	\$ 8,015,974	\$ 7,089,848	\$ 926,126
Total health and welfare	\$ 6,359,300	\$ 8,625,841	\$ 7,677,139	\$ 948,702
Education:				
Contributions to community colleges	\$ 17,616	\$ 17,616	\$ 17,616	\$ -
Contributions to School Board Component Unit	17,258,783	17,106,413	16,322,573	783,840
Total education	\$ 17,276,399	\$ 17,124,029	\$ 16,340,189	\$ 783,840
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation	\$ 344,844	\$ 346,534	\$ 259,664	\$ 86,870
Library:				
Library	\$ 647,266	\$ 689,105	\$ 637,963	\$ 51,142
Total parks, recreation and cultural	\$ 992,110	\$ 1,035,639	\$ 897,627	\$ 138,012
Community development:				
Planning and community development:				
Planning	\$ 482,321	\$ 484,718	\$ 397,982	\$ 86,736
Chamber of commerce	10,000	10,000	10,000	-
Zoning board	2,227	2,227	1,300	927
Economic development	263,414	284,823	227,551	57,272
Total planning and community development	\$ 757,962	\$ 781,768	\$ 636,833	\$ 144,935
Environmental management:				
Soil and water conservation district	\$ 38,647	\$ 38,647	\$ 38,647	\$ -
Cooperative extension program:				
VPI extension	\$ 143,308	\$ 143,308	\$ 123,970	\$ 19,338
Total community development	\$ 939,917	\$ 963,723	\$ 799,450	\$ 164,273
Nondepartmental:				
Various	\$ 151,607	\$ 53,793	\$ 70,825	\$ (17,032)

Governmental Funds and Discretely Presented Component Unit  
Statement of Expenditures -- Budget and Actual  
Year Ended June 30, 2002 (continued)

<b>Fund, Function, Activity, Element</b>	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	<b>Variance From Amended Budget Positive (Negative)</b>
Primary Government: (Continued)				
General Fund: (continued)				
Debt service:				
Principal retirement	\$ 2,207,067	\$ 2,207,067	\$ 1,518,820	\$ 688,247
Interest and fiscal charges	1,657,072	1,657,072	1,523,903	133,169
Total debt service	\$ 3,864,139	\$ 3,864,139	\$ 3,042,723	\$ 821,416
Total General Fund	\$ 41,279,952	\$ 44,072,115	\$ 40,159,264	\$ 3,912,851
Capital Projects Fund:				
Capital projects - public safety	\$ 50,000	\$ 1,866,629	\$ 1,313,173	\$ 553,456
Capital projects - computer	90,000	126,343	56,850	69,493
Capital projects - buildings and grounds	723,200	1,142,694	682,040	460,654
Capital projects - public works	732,000	1,742,432	177,048	1,565,384
Capital projects - airport	1,708,000	4,987,856	31,695	4,956,161
Capital projects - airpark	-	874,775	-	874,775
Capital projects - parks & recreation	-	109,612	13,275	96,337
Other capital projects	-	718,666	50,073	668,593
Total Capital Projects Fund	\$ 3,303,200	\$ 11,569,007	\$ 2,324,154	\$ 9,244,853
Grand Total Expenditures -- Primary Government	\$ 44,583,152	\$ 55,641,122	\$ 42,483,418	\$ 13,157,704
Component Unit -- School Board:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Instruction	\$ 31,186,811	\$ 32,094,311	\$ 31,784,278	\$ 310,033
Administration, attendance and health	1,553,804	1,553,805	1,456,593	97,212
Pupil transportation	2,232,530	2,392,531	2,111,673	280,858
Operation and maintenance of school plant	4,391,060	3,970,826	3,593,566	377,260
Facilities	-	86,448	86,448	-
Total education	\$ 39,364,205	\$ 40,097,921	\$ 39,032,558	\$ 1,065,363
Total School Operating Fund	\$ 39,364,205	\$ 40,097,921	\$ 39,032,558	\$ 1,065,363
School Cafeteria Fund:				
Education:				
School food service costs	\$ 1,800,000	\$ 1,800,000	\$ 1,745,797	\$ 54,203
Total School Capital Projects Fund	\$ 1,800,000	\$ 1,800,000	\$ 1,745,797	\$ 54,203
School Capital Projects Fund:				
School capital projects	\$ 329,066	\$ 16,752,683	\$ 12,262,668	\$ 4,490,015
Contribution to Primary Government - Debt Service	-	-	492,125	(492,125)
Total School Capital Projects Fund	\$ 329,066	\$ 16,752,683	\$ 12,754,793	\$ 3,997,890
Grand Total Expenditures--Component Unit--School Board	\$ 41,493,271	\$ 58,650,604	\$ 53,533,148	\$ 5,117,456
Grand Total Expenditures -- Reporting Entity	\$ 86,076,423	\$ 114,291,726	\$ 96,016,566	\$ 18,275,160

## STATISTICAL SECTION





## **Statistical Tables**

## COUNTY OF CULPEPER, VIRGINIA

### General Government Expenditures by Function (1) Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>General Administration</b>	<b>Judicial Administration</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Health and Welfare</b>
1992-93	\$ 1,257,945	\$ 310,532	\$ 3,064,122	\$ 784,115	2,265,958
1993-94	1,183,171	462,702	3,121,161	926,103	2,525,966
1994-95	1,015,193	697,560	3,361,560	349,466	2,881,810
1995-96	1,443,617	741,736	3,448,372	477,604	3,450,401
1996-97	1,323,224	977,590	4,002,375	509,133	3,645,618
1997-98	1,513,059	1,116,992	4,546,722	474,663	3,925,411
1998-99	1,997,729	1,280,914	5,027,376	480,148	4,446,869
1999-00	2,116,520	1,384,594	5,540,995	623,381	5,518,988
2000-01	2,256,434	1,513,634	6,544,990	520,397	6,101,477
2001-02	2,027,756	1,542,471	6,982,854	778,230	7,677,139

(1) Includes General and Capital Project Fund of the Primary Government and its discretely presented component unit.

Note Fiscal Year 2001-02 does not include contributions from the Primary Government to the School Board of Board \$16,322,573 and contributions from the School to the Primary Government of \$ 492,125.

Table 1

---

	<b>Education</b>	<b>Recreation and Cultural</b>	<b>Community Development</b>	<b>Non- Departmental</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Total</b>
\$	24,447,435	\$ 94,920	\$ 745,572	\$ -	\$ 1,347,055	\$ 2,175,857	\$ 36,493,511
	25,189,340	98,593	714,544	-	3,017,673	2,091,045	39,330,298
	26,927,528	103,705	1,103,042	-	2,422,097	2,068,473	40,930,434
	27,262,775	110,431	764,498	-	3,049,658	1,732,373	42,481,465
	30,557,603	304,883	871,865	1,713	10,351,374	1,812,833	54,358,211
	32,537,700	493,837	907,122	-	7,709,372	2,578,265	55,803,143
	33,733,895	613,341	1,032,566	-	3,910,787	2,498,306	55,021,931
	37,169,323	731,991	1,063,624	1,768	4,512,288	2,516,760	61,180,232
	38,323,552	843,992	1,604,381	12,628	8,686,707	2,923,744	69,331,936
	40,795,971	897,627	799,450	70,825	14,586,822	3,042,723	79,201,868

**COUNTY OF CULPEPER, VIRGINIA**General Government Revenues by Source (1)  
Last Ten Fiscal Years

<b>Fiscal Year</b>		<b>General Property Taxes</b>		<b>Other Local Taxes</b>		<b>Permit Privilege Fees &amp; Regulatory Licenses</b>		<b>Fines &amp; Forfeitures</b>
1992-93	\$	14,378,923	\$	3,233,294	\$	267,400	\$	4,240
1993-94		14,761,268		3,532,056		289,455		3,951
1994-95		15,717,766		3,201,485		317,518		2,120
1995-96		16,612,571		3,332,562		303,289		9,776
1996-97		17,846,374		3,739,301		315,011		67,148
1997-98		18,411,386		3,882,121		382,505		50,234
1998-99		19,819,201		4,319,891		438,841		46,738
1999-00		19,515,562		5,628,625		376,368		55,042
2000-01		21,292,619		5,993,067		602,886		24,781
2001-02		22,575,874		6,261,152		712,117		41,576

(1) Includes General and Capital Project Fund of the Primary Government and its discretely presented component unit.

Note Fiscal Year 2001-02 does not include contributions from the Primary Government to the School Board of \$16,322,573 and contributions from the School Board to the Primary Government of \$492,125



Table 2

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<b>Revenues from the Use of Money &amp; Property</b>	<b>Charges for Services</b>	<b>Miscellaneous</b>	<b>Recovered Costs</b>	<b>Inter- governmental</b>	<b>Total</b>
\$ 615,329	\$ 1,650,173	\$ 94,752	\$ 392	\$ 17,059,679	\$ 37,304,182
591,252	1,505,849	169,506	6,510	17,661,052	38,520,899
1,060,332	1,473,040	125,731	-	19,458,610	41,356,602
1,119,942	1,384,928	160,169	-	20,016,290	42,939,527
1,461,717	1,564,490	558,744	147,496	22,201,807	47,902,088
1,255,190	1,660,206	1,836,710	94,765	24,490,007	52,063,124
1,508,457	2,074,884	792,700	368,654	26,456,116	55,825,482
1,121,867	2,141,159	1,050,828	312,203	30,307,920	60,509,574
2,530,417	2,207,046	1,197,766	349,084	32,902,979	67,100,645
877,544	2,000,581	1,618,808	440,647	35,422,164	69,950,463

## COUNTY OF CULPEPER, VIRGINIA

### Property Tax Levies and Collections Last Ten Fiscal Years

---

<b>Fiscal Year</b>		<b>Total (1) Tax Levy</b>		<b>Current Tax (1)(4) Collections</b>		<b>Percent of Levy Collected</b>		<b>Delinquent (1) Tax (2) Collections</b>
1992-93	\$	14,331,330	\$	13,521,623	\$	94.35%	\$	466,857
1993-94		14,613,414		13,887,673		95.03%		432,176
1994-95		15,289,140		14,498,181		94.83%		552,230
1995-96		16,311,291		15,664,498		96.03%		502,183
1996-97		17,136,386		16,566,121		96.67%		711,413
1997-98		17,842,385		17,048,176		95.55%		864,665
1998-99		19,740,029		18,909,383		95.79%		549,085
1999-00		19,908,616		19,238,696		96.64%		572,875
2000-01		22,779,724		21,764,061		95.54%		796,745
2001-02		25,171,456		24,210,243		96.18%		435,817

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes three years taxes.

(4) Includes revenue from the Commonwealth for Personal Property Tax Relief Act.

**Table 3**

---

<b>Total Tax Collections</b>		<b>Percent of Total Tax Collections to Tax Levy</b>	<b>Outstanding Delinquent Taxes (1)(3)</b>		<b>Percent of Delinquent Taxes to Tax Levy</b>
<hr/>		<hr/>	<hr/>		<hr/>
\$	13,988,480	\$ 97.61%	\$	1,312,308	\$ 9.16%
	14,319,849	97.99%		1,628,546	11.14%
	15,050,411	98.44%		1,260,449	8.24%
	16,166,681	99.11%		1,307,097	8.01%
	17,277,534	100.82%		1,167,651	6.81%
	17,912,841	100.39%		1,129,576	6.33%
	19,458,468	98.57%		1,023,118	5.18%
	19,811,571	99.51%		969,289	4.87%
	22,560,806	99.04%		1,008,418	4.43%
	24,646,060	97.91%		946,184	3.76%

Assessed Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service	Total
1992-93	\$ 1,191,819,047	\$ 50,515,873	\$ 3,676,857	\$ 14,380,433	\$ 12,703,493	\$ 53,408,809	\$ 1,326,504,512
1993-94	1,308,339,324	51,633,952	3,627,162	15,503,880	12,385,659	85,357,172	1,476,847,150
1994-95	1,351,018,108	56,905,248	4,102,569	16,512,457	12,250,977	86,033,610	1,526,822,969
1995-96	1,376,370,540	66,485,190	4,415,150	19,754,355	14,358,361	89,184,427	1,570,568,023
1996-97	1,432,564,866	77,132,772	4,225,600	20,761,364	7,996,763	92,962,364	1,635,643,729
1997-98	1,615,897,300	81,527,039	4,618,423	25,697,286	4,267,493	93,136,336	1,825,143,877
1998-99	1,755,100,700	84,462,327	2,944,900	34,637,961	4,334,925	108,519,015	1,989,999,828
1999-00	1,803,944,800	89,792,599	3,206,000	28,408,306	51,454	106,218,265	2,031,621,424
2000-01	1,856,943,600	264,000,872	1 3,268,700	77,810,297	1 -	94,661,009	2,296,684,480
2001-02	1,911,199,400	281,868,312	3,335,500	85,457,408	-	109,358,826	2,391,219,446

(1) In fiscal year 2000-01 the Commissioner of Revenue changed assessment methodology from 40% fair market value to 100% fair market value. All other amounts are at 100% fair market value.

Property Tax Rates (1)  
Last Ten Fiscal Years

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<b>Fiscal Years</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Merchants' Capital</b>
1992-93	\$ 0.89	\$ 6.25	\$ 5.00	\$ 2.25
1993-94	0.74	6.25	5.00	1.82
1994-95	0.74	6.25	5.00	1.64
1995-96	0.74	6.25	5.00	1.48
1996-97	0.74	6.25	5.00	1.00
1997-98	0.74	6.25	5.00	0.50
1998-99	0.74	6.25	5.00	0.50
1999-00	0.74	6.25	5.00	0.10
2000-01	0.82	2.50	(2) 2.00	(2) -
2001-02	0.88	2.50	2.00	-

(1) Per \$100 of assessed value

(2) In fiscal year 2000-01 the Board of Supervisors changed tax rates as result of change in assessment methodology as disclosed in table 4

Ratio of Net General Bonded Debt to  
Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Assessed Value (in thousands)(2)</b>	<b>Gross Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value</b>	<b>Net Bonded Debt per Capita</b>
1992-93	29,200	\$ 1,326,504,512	\$ 14,808,527	1.12%	\$ 507
1993-94	29,500	1,476,847,150	13,697,060	0.93%	464
1994-95	31,200	1,526,822,969	12,533,599	0.82%	402
1995-96	31,700	1,570,568,023	14,313,772	0.91%	452
1996-97	32,200	1,635,643,729	19,378,381	1.18%	602
1997-98	32,700	1,825,143,877	18,062,243	0.99%	552
1998-99	33,083	1,989,999,828	18,090,214	0.91%	547
1999-00	33,400	2,031,621,424	19,587,186	0.96%	586
2000-01	34,262	2,296,684,480	25,158,487	1.10%	734
2001-02	34,702	2,391,219,446	34,047,488	1.42%	981

(1) Bureau of the Census.

(2) From Table 4

(3) Includes all long-term general obligation bonded debt, Bond Anticipation Notes, and Literary Fund Loans.  
Excludes revenue bonds, capital leases, and compensated absences.

Ratio of Annual Debt Service Expenditures for General Bonded  
Debt (1) to Total General Governmental Expenditures  
Last Ten Years

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Total General Governmental Expenditures (3)</b>	<b>Ratio of Debt Service to General Governmental Expenditures</b>
1992-93	\$ 1,121,244	\$ 1,054,613	\$ 2,175,857	\$ 36,493,511	5.96%
1993-94	1,111,467	976,964	2,088,431	39,330,298	5.31%
1994-95	1,163,461	905,012	2,068,473	40,930,434	5.05%
1995-96	894,827	837,546	1,732,373	42,481,465	4.08%
1996-97	935,391	877,442	1,812,833	54,358,211	3.33%
1997-98	1,350,166	1,228,099	2,578,265	55,803,143	4.62%
1998-99	1,397,776	1,100,530	2,498,306	55,021,931	4.54%
1999-00	1,443,594	1,073,122	2,516,716	61,180,232	4.11%
2000-01	1,357,557	1,566,187	2,923,744	69,331,936	4.22%
2001-02	1,518,820	1,523,903	3,042,723	79,201,868	3.84%

(1) General obligation bonds reported in the enterprise funds and special assessment debt with government commitment have been excluded.

(2) Excludes bond issuance and other costs.

(3) Includes General and Capital Project Fund of the Primary Government and its discretely presented component unit.

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Computation of Direct and Overlapping Bonded Debt  
At June 30, 2002

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Direct: (1)

County of Culpeper

\$	<u>34,047,488</u>	<u>100.00%</u>	\$	<u>34,047,488</u>
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(1) Includes general obligation bonded debt.

The County of Culpeper has no overlapping debt.

# COUNTY OF CULPEPER, VIRGINIA

## PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>Residential Construction Permits</b>	<b>Valuation</b>	<b>Commercial Construction Permits</b>	<b>Valuation</b>	<b>Miscellaneous Construction Permits</b>
1992-93	205	\$ 21,855,934	9	\$ 6,602,281	442
1993-94	255	29,561,340	25	4,680,283	374
1994-95	254	28,445,522	41	8,179,754	505
1995-96	261	30,436,998	29	12,073,473	572
1996-97	301	35,714,899	29	10,205,799	456
1997-98	295	35,987,680	72	12,812,829	436
1998-99	328	37,772,814	66	7,614,385	434
1999-00	261	35,704,674	220	3,703,310	1,623
2000-01	320	47,181,480	112	4,205,762	1,879
2001-02	413	53,295,131	29	3,683,400	912

N/A - amounts not available

\* Amounts expressed in thousands

1 Source: Culpeper County Planning Department

2 Source: Financial Institutions Data Exchange

Table 9

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<u>Valuation</u>	<u>Bank Deposits</u>	<u>Residential</u>	<u>Commercial</u>	<u>Agriculture</u>	<u>Non-Taxable</u>
\$ 6,244,248	\$ 299,266	\$ 660,052,963	\$ 230,801,790	\$ 301,815,300	\$ 98,685,603
5,288,378	294,752	869,373,100	234,779,400	360,218,100	93,777,500
8,892,040	338,432	896,846,800	234,803,200	361,306,000	94,202,700
9,437,824	354,012	927,151,300	240,473,600	364,163,000	97,546,400
10,814,428	356,625	966,380,800	243,383,400	365,603,800	99,871,900
8,580,190	355,675	1,005,147,900	247,485,200	363,264,200	102,387,000
8,319,775	N/A	1,095,184,100	269,265,800	390,650,800	140,631,800
3,703,310	N/A	1,172,557,300	239,399,400	391,988,100	144,565,600
9,572,979	N/A	1,223,079,100	240,243,100	393,621,400	147,549,400
8,267,326	N/A	1,272,177,000	243,258,200	395,764,200	148,098,400

Demographic Statistics  
Last Ten Fiscal Years

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<u>Year</u>	<u>Population (1)</u>	<u>School Enrollment</u>	<u>Unemployment Rate (2)</u>
1992-93	29,200	5,028	7.20%
1993-94	29,500	5,040	4.40%
1994-95	31,200	5,067	4.60%
1995-96	31,700	5,166	4.80%
1996-97	32,200	5,247	3.30%
1997-98	32,700	5,327	2.30%
1998-99	33,083	5,522	2.00%
1999-00	33,400	5,555	1.60%
2000-01	34,262	5,594	1.60%
2001-02	34,700	5,760	2.10%

(1) U. S. Census Bureau

(2) Virginia Employment Commission

Principal Taxpayers

At June 30, 2002

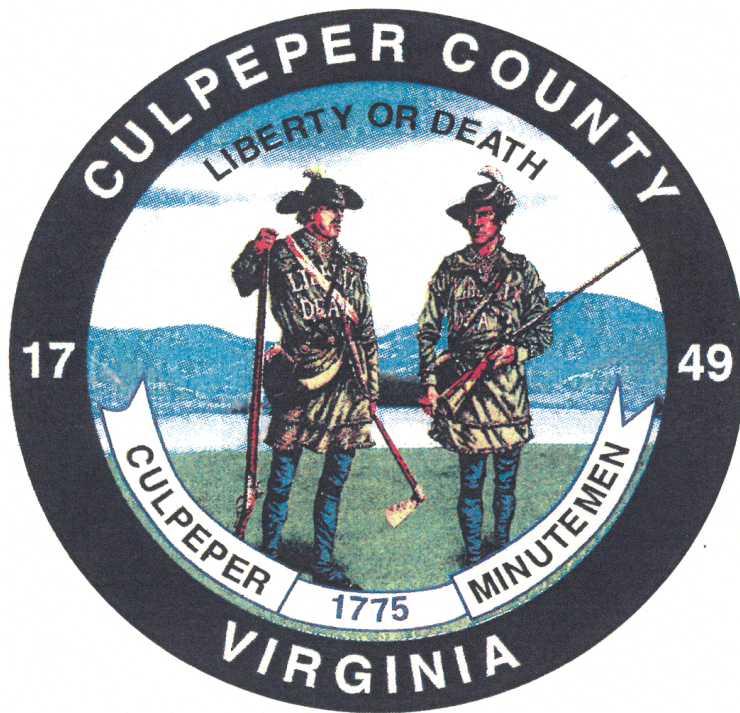
<b>Taxpayer</b>	<b>Type of Business</b>	<b>Assessed Valuation</b>	<b>% of Total Assessed Valuation</b>
SWIFT, Inc.	Communications	\$ 34,831,964	1.46%
Continental Teves	Manufacturing	25,289,360	1.06%
Rochester Corp.	Cable Manufacturer	13,719,738	0.57%
Packard Humanities	Foundation	12,841,800	0.54%
Dominion Square	Legal	8,642,400	0.36%
Wal-mart	Shopping center	8,605,000	0.36%
Communications Corporation of America	Consulting/Mail Services	6,838,818	0.29%
Key Corp. Capital	Leasing	6,720,594	0.28%
Culpeper Commons LP	Furniture Manufacturer	6,167,900	0.26%
PNC Leasing	Leasing	5,976,924	0.25%
	Totals	\$ <u>129,634,498</u>	<u>5.42%</u>

Miscellaneous Statistics  
At June 30, 2002

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Date of Incorporation	1749
Form of Government	Board of Supervisors/ County Administrator
Area in square miles	381
<b>Public Safety</b>	
Fire and rescue companies	8
Volunteer firefighters	374
Sheriff's employees	78
<b>Education</b>	
Schools	7
Number of teachers	464
Number of students	5,760
<b>Recreation and Culture</b>	
Number of parks and recreation facilities	3
Number of libraries	1
<b>Employees at June 30, 2002</b>	
General government (includes public safety)	365
School division (includes teachers)	862

## COMPLIANCE SECTION







# ROBINSON, FARMER, COX ASSOCIATES

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*Certified Public Accountants*

*A Professional limited liability company*

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## **Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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**To The Honorable Members of  
The Board of Supervisors  
County of Culpeper, Virginia**

We have audited the financial statements of the County of Culpeper, Virginia as of and for the year ended June 30, 2002, and have issued our report thereon dated September 27, 2002. We conducted our audit in accordance with the Specifications for Audit of Counties, Cities and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the County of Culpeper's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### **Internal Control Over Financial Reporting**

In planning and performed our audit, we considered County of Culpeper's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the County of Culpeper, Virginia in a separate letter dated September 27, 2002.

This report is intended for the information of the Board of Supervisors, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Robinson, Farmer, Cox Associates*  
Charlottesville, Virginia  
September 27, 2002

# ROBINSON, FARMER, COX ASSOCIATES

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*Certified Public Accountants*

*A Professional Limited Liability company*

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## **Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133**

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**To The Honorable Members of  
The Board of Supervisors  
County of Culpeper, Virginia**

### **Compliance**

We have audited the compliance of the County of Culpeper, Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The County of Culpeper, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Culpeper, Virginia's management. Our responsibility is to express an opinion on the County of Culpeper, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Culpeper, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Culpeper, Virginia's compliance with those requirements.

In our opinion, the County of Culpeper, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

### **Internal Control Over Compliance**

The management of the County of Culpeper, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Culpeper, Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Supervisors, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
September 27, 2002

**COUNTY OF CULPEPER, VIRGINIA**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2002

<b>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</b>	<b>Federal Catalog Number</b>	<b>Expenditures</b>
<b>Primary Government:</b>		
Department of Aviation Pass Through Payments: Department of Aviation: Airport grant	20.106	\$ <u>1,436,025</u>
Department of Housing and Community Development: Pass through payments: Community development block grant	14.228	\$ <u>719,288</u>
Department of Health and Human Services: Pass Through Payments: Department of Social Services: Food Stamps Family preservation and support Temporary assistance to needy families Refugee and entrant assistance Low income energy assistance Child care assistance Child care and development fund Foster care Adoption assistance Social services block grant Independent living Medical assistance program	10.561 93.556 93.558 93.566 93.568 93.575 93.596 93.658 93.659 93.667 93.674 93.778	\$ 224,211 13,114 352,518 598 95,452 269,888 868,428 537,490 108,018 333,575 (1,096) <u>198,274</u>
Total Department of Health and Human Services		\$ <u>3,000,470</u>
Virginia Employment Commission: Pass Through Payments: Welfare investment act--adult program	17.258	\$ <u>211,638</u>
Total Virginia Employment Commission		\$ <u>211,638</u>
Department of Justice: Pass Through Payments: Department of Criminal Justice Services: Drug control and system improvement Law enforcement grant Violence against women formula grants	16.579 16.592 16.588	\$ 38,454 20,860 <u>52,880</u>
Total Department of Justice		\$ <u>112,194</u>
Federal Emergency Management Agency : Pass through payments: Disaster assistance	83.537	\$ <u>14,292</u>
Total emergency Management Agency		\$ <u>14,292</u>

**COUNTY OF CULPEPER, VIRGINIA**

Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2002 (Continued)

<b>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</b>	<b>Federal Catalog Number</b>	<b>Expenditures</b>
Department of Motor Vehicles: Pass Through Payments: National Highway Traffic Safety: Alcohol in relation to highway safety grant	20.600	\$ 8,875
Total National Highway Traffic Safety		\$ 8,875
Institute of Museum and Library Services: Pass Through Payments: National Foundation on the Arts and Humanities: State library program	45.310	\$ 3,115
Total Institute of Museum and Library Services		\$ 3,115
Total Expenditures of Federal Awards-Primary Government		\$ 5,505,897
<b>Component Unit School Board:</b>		
Department of Agriculture: Pass Through Payments: Department of Agriculture: Food Distribution -- Schools	10.555	\$ 98,596
Department of Education: National school lunch program	10.555	493,316
National school breakfast program	10.553	158,605
Total Department of Agriculture		\$ 750,517
Department of Education: Pass Through Payments: Department of Education: Title 1 grants to local educational agencies Handicapped preschool & school programs -- Handicapped - state grants -- Title VI-B Vocational education program improvement -- Vocational education -- basic grants to states Vocational education -- School to work General education - drug free schools -- Drug-free schools and communities Special Projects: Title II -- Education for economic security Title VI-innovative education Class size reduction Preschool Developmental disabilities basic grant Goals	84.010 84.027 84.048 17.249 84.186 84.281 84.298 84.340 84.173 93.630 84.276	\$ 668,168 330,331 113,251 45,615 20,264 21,657 38,913 123,158 29,348 643 34,310
Total Department of Education		\$ 1,425,658
Total Expenditures of Federal Awards-Component Unit School Board		\$ 2,176,175
Total Expenditures of Federal Awards-Reporting Entity		\$ 7,682,072

## COUNTY OF CULPEPER, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2002

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### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

#### Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.555	National School Lunch Program
84.010	Title I
84.027	Title VI-B
93.667	Social services block grant
93.596	Child care and development fund
93.558	Temporary assistance to needy families

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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### Section II - Financial Statement Findings

There are no financial statement findings to report.

### Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

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